FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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Lisbon: Battle shapes up over key union reforms, Page 2

World News | Business Summary

Shrinking Soviet sea threatens environment

Irrigation projects have caused the Aral Sea in Soviet Central Asia to shrink by a third in the past 25 years - threatening the entire region with an ecological disaster - the Soviet weekly Ogonyok said.

The sea had retreated more than 100km from its original shores as its level dropped by more than 12 metres, the magazine said. The situation was also affecting the health of local people with many epidemic diseases appearing.

Talks on Afghan war

Senior Soviet and US officials held separate talks on the nine-year-old Afghan guerrilla war. Soviet Foreign Minister Eduard Shevardnadze arrived in Kabul for an unannounced meeting with President Najibullah and in Islamabad, US Under-Secretary of State Michael Armacost met Pakistan's President Zia ul-Haq.

Belgian mediator

King Baudouin asked moderate Flemish socialist Willy Claes, 49, to mediate in a political crisis which has gripped Belgium since an inconclusive general election was held last month.

Diplomat murdered

A West German consular attache was shot dead on a lonely footbridge over the River Seine in Paris and Kurdish extremists claimed responsibility for the killing – and for blowing up a West German airliner over Turkey on Saturday. Page 2

Hawaiian floods

The Hawaiian island of Oahu, including the city of Honolulu, was declared a disaster area after New Year's Eve floods.

Peace check-up

An international diplomatic team began a tour of Central America to check how five countries in the region had complied with a peace plan. Page 4

West Bank violence

Fresh violence flared in the West Bank, with troops firing tear gas and rubber bullets and protesters throwing rocks, as Israel defended its decision to expel Arab activists.

Sikhs kill 10

Sikh militants in Punjab state killed 10 people, including a senior member of the ruling Congress Party, in a series of attacks.

Iranian launch denied

The European rocket consortium Arianespace denied reports from Tehran that it had agreed to launch an Iranian telecommunications satellite.

Car smugglers held

Antwerp police said they had broken up two smuggling rings alleged to have sent stolen cars to Africa. Some 245 cars had been recovered and 90 arrests made since a special unit was set up in 1984.

Cyprus election date

Cyprus said presidential elections would be held on February 14 with a second poll a week later if there was no outright winner in the first round. Spyros Kyprianou would seek his third consecutive five-year term.

Sierra Leone arrest

Sierra Leone police arrested on charges of financial malpractice Shamsu Mustapha, who resigned last week as a development and economic planning minister, and three other senior officials.

Journalist jailed

French journalist Alain Guillo, 45, who entered Afghanistan with Moslem rebels, was sentenced in Kabul to 10 years' imprisonment for spying, the official Kabul Radio said.

Ugandan AIDS loan

The World Bank said it was lending Uganda $10m to help it fight AIDS. Uganda has more than 1,800 confirmed AIDS victims.

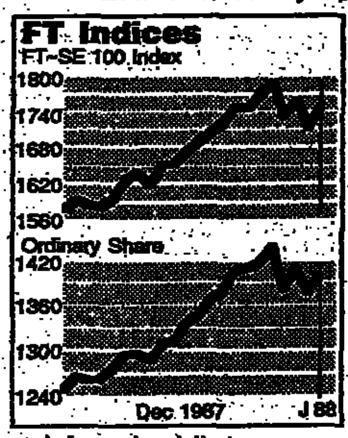
Adler has 5.4% stake in British insurer

FAI INSURANCES, led by Larry Adler, Australian corporate raider, has emerged as the holder of a 5.43 per cent stake in Pearl Group, one of the UK's biggest home-service life assurers. Page 16

LONE STAR Industries, largest US cement producer, is raising $226m from the sale of 50 per cent stakes in two large cement and aggregates operations on the West Coast. Page 17

WALL STREET: The Dow Jones industrial average closed up 76.42 at 2,015.25. Page 36

LONDON: The UK equity market took heart from the confident view of the economy put forward by Mr Nigel Lawson, the Chancellor of the Exchequer, and from the dollar's recovery from its Far Eastern lows. The FT-SE 100 share index closed 34.8 up at 1,747.5. Page 32



TOKYO: Depressed by the early fall in the dollar to new post-war lows, investors went on a small-lot selling spree. The Nikkei average ended 346.96 lower at 21,217.04. Page 36

DOLLAR closed in New York at DM1.5885, Y123.00, FFr5.3700, SFr1.2890. It closed in London at DM1.5850 (DM1.5740); Y122.75 (Y121.35); Y121.65; SFr1.2850 (SFr1.2755); FFr5.3575 (FFr5.3425). Page 25

STERLING closed in New York at $1.8760. It closed in London at $1.8760 ($1.8785); DM2.9750 (DM2.9600); Y230.25 (Y228.0); SFr2.4100 (SFr2.3950); FFr10.05 (FFr10.0350). Page 25

CdF-CHIMIE, French state-owned chemicals group, has agreed to sell its industrial inks subsidiary Lorilleux International to Coates Brothers, the UK printing inks manufacturer. Page 18

M. LEE PEARCE, Miami physician, has acquired 4.4m shares or 5.4 per cent of American Medical International, large US hospital management group, for investment purposes, at an average price of $13.67 a share. Page 17

RAYMOND LEVY, chairman of Renault, announced a series of changes at the top of the French car group's management including the departure of Jose Dedeurwaerder, the company's commercial director and one of the architects of Renault's unhappy adventure in the US market. Page 17

DOME PETROLEUM: Group of preferred stockholders in the struggling Canadian energy group, is seeking to upset part of Amoco Petroleum Canada's C$5.5bn ($4.18bn) takeover of Dome. Page 17

STUART REED has resigned as president and chief operating officer of Conrail, the US railway holding company sold to the public for $1.65bn earlier this year, because he was passed over for the job of chief executive.

ISRAEL AIRCRAFT Industries, country's state-owned and largest company, has announced the first step in a reorganisation programme in response to the cancellation of the Lavi fighter bomber project, in which it was the main contractor. Page 19

ISRAELI Cabinet approval of a Sh47.8bn ($30bn) budget for 1988-89 by an overwhelming majority has served to strengthen the country's already popular Finance Minister, Mr Moshe Nissim. Page 3

HERTIE, West German department store group, broke even in 1987, bringing to an end a long period of losses for the company.

Asian, Pacific growth surges ahead of rest of world

EXPORT-LED growth in Asian and Pacific developing countries expanded their economies at a faster pace than the rest of the world, according to a United Nations report released yesterday, **writes Peter Ungphakorn in Bangkok.**

The region's average growth rate, according to the Economic and Social Commission for Asia and the Pacific (Escap), was 6 per cent, based on double-figure growth estimated for 1987 in South Korea, Taiwan and Hong Kong, 9.5 per cent in China and 8 per cent in Singapore.

Escap, based in Bangkok and comprising of 21 nations, said that by comparison the world economy was estimated to have grown by 2.8 per cent, the developed countries by 2.4 per cent and all developing countries by 3.3 per cent.

However, Escap said the more developed economies in the region generally continued to surge ahead of their less-developed neighbours, which showed "little or no improvement in their grim living conditions."

Mr S.A.M.S. Kibria, secretary-general of Escap, warned that the region's growth would slow this year to 5.6 per cent because of tighter government policies in reaction to inflationary pressure, and adverse world economic conditions hindering export expansion.

The commission attributed much of last year's growth in exports to the dollar's decline against the yen. East and South East Asian producers gained in the US market at the expense of the Japanese and sold more to Japan.

The fastest growing exporters were Hong Kong (31.9 per cent), Taiwan (30.1 per cent), South Korea (30 per cent), Thailand (25.2 per cent), Singapore (24 per cent) and China (22 per cent).

Thailand doubled its manufacturing exports in the past two years, last year's estimated 42.5 per cent growth being the fastest in the region.

These countries' chief advantages, Escap said, were in their established industrial and manufacturing base, and a generally stable relationship most of the year between their currencies and the US dollar.

The poorest countries lacked such advantages. Afghanistan, Bangladesh, Bhutan, Burma, Kiribati, Laos, Maldives, Nepal, Samoa, Tuvalu and Vanuatu are estimated to have grown by 2 per cent or less – with economic contraction in some cases.

These countries suffered because of the inability of food production to keep pace with population, a drop in aid from richer countries, and increasing foreign debt burdens.

In South Asia, Pakistan's estimated 7.7 per cent growth rate was three times as fast as its neighbours, except for Bangladesh's 4.5 per cent. Escap blamed bad weather conditions for India's 2.4 per cent growth.

Singapore had the best growth rate in South East Asia, followed by Thailand. Malaysia's 2 per cent growth was slowest.

GDP GROWTH RATES

	1987 estimates	1988 forecasts
South Korea	12.1	8.2
Taiwan	11.0	7.0
Hong Kong	12.1	6.0
Malaysia	2.0	3.8
Indonesia	3.3	2.4
Thailand	6.1	5.8
Philippines	4.9	5.9
Singapore	8.0	6.0
India	2.4	5.8
Sri Lanka	2.5	4.6
Bangladesh	4.5	5.1
Pakistan	7.7	6.4
Nepal	2.3	3.5
China	9.5	7.8
Escap region	6.0	5.6

Concerted support stabilises dollar and boosts shares

BY SIMON HOLBERTON IN LONDON AND JANET BUSH IN NEW YORK

CO-ORDINATED central bank intervention in world currency markets yesterday stabilised the dollar and helped lift share prices in Europe and North America.

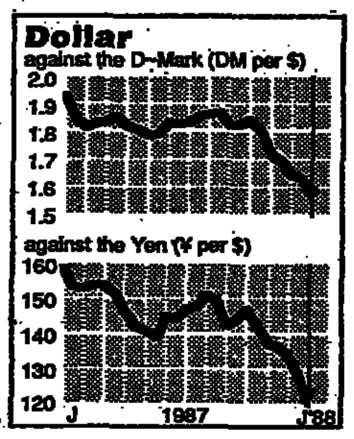
In New York, shares marked the first trading day of the New Year with a confident and broadly-based rally despite continued nervousness on foreign exchanges.

The Dow Jones Industrial Average surged to its largest one-day gain apart from three days in late October after the market's crash.

On the foreign exchanges, the dollar, which reached new lows in earlier Japanese trading and undermined Far East share markets, was boosted by substantial dollar purchases by central banks in Japan, Europe and the US.

Traders were uncertain, however, if yesterday's intervention would be sufficient to reverse the market's bearish view of the dollar.

In New York, the dollar remained weak against the Japanese yen and was quoted at Y122.95 in late trading before closing at Y123, well below its highs of the day. It held up better against the West German D-Mark, apparently finding strong support at the DM1.5860 level.



The US Federal Reserve was reported to have intervened along with other central banks yesterday but most of the action happened in Far East markets overnight.

The Fed seemed to be buying only moderate amounts of dollars in New York but in a highly obvious way to maximise the impact.

It was feared the dollar's recent decline would accelerate as trading volumes returned to normal after the Christmas and New Year holidays. In the event, speculators were apparently not prepared to make the challenge in the face of determined central bank efforts to defend the US currency.

Analysts and dealers said there was still no reason to buy the US currency. The Reagan Administration showed little willingness to raise interest rates to support the dollar, and the US's poor trading performance continued to put downward pressure on its currency.

On the equity markets, the expectation that UK growth will remain buoyant and evidence that the US economy had performed well after the October 19 slide in share prices encouraged buying in London as well as in New York.

In London, good institutional demand pushed the FT-SE 100 Share Index 34.8 points higher to

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HK equities hold steady despite arrests

BY DAVID DODWELL IN HONG KONG

HONG KONG share values yesterday largely withstood a threat to sentiment posed by the weekend arrest of Mr Ronald Li, former chairman of Hong Kong's stock exchange, and two other senior exchange officials, by investigators looking into the operations of the market.

The Hang Seng index was marked down initially by about 100 points, but steady buying – mainly from local investors – carried share prices back towards their weekend closing levels. The index closed down 16.46 at 2,286.29.

The Hong Kong Government had moved fast over the weekend to ensure that any alarm caused by the arrests was minimised. The general committee of the exchange was effectively suspended, with Mr Robert Fell – a former executive of the London Stock Exchange, and until last July Hong Kong's Banking Commissioner – holding the reins as chief executive.

A new management committee, chaired by Mr Robert Yue, was set up and met for yesterday morning. Mr Yue later explained to brokers on the exchange's trading floor the effect of the management changes.

Local investors dominated trading yesterday with some operators surprised at the absence of any apparent reaction from international institutions.

Turnover yesterday of about HK$650m (US$83.7m) was negligible compared with daily levels of more than HK$4bn before the October crash, but it was a respectable amount compared with recent weeks.

No charges have been laid against Mr Li or the other two officials, Mr Jeffrey Sun and Mr Donald Tsang, who were respectively chief executive and head of the listings committee.

Mr Li remained as vice chairman of the exchange after relinquishing the top job last month. He was questioned on Saturday by the powerful Independent Commission Against Corruption and released on bail of HK$10m.

UK banks near victory in tax battle over Third World loans

BY RICHARD WATERS IN LONDON

THE FOUR top UK clearing banks are believed to have substantially won their battle for tax relief on provisions made against loans to developing countries at a cost to the Exchequer for the first half of last year alone of £850m ($1,6bn).

Tax inspectors have backed down on their previous hard line on provisions, according to tax experts at four leading accountancy firms yesterday. They said the inspectors had indicated they would allow between 80 and 90 per cent of a bank's provisions against sovereign loans for tax purposes.

The big four banks between them set aside £3.018bn in the first half of 1987. At the time, all four said that they expected to get tax relief on these provisions – even though the Inland Revenue gives automatic relief only for provisions against specific loans, rather than general provisions covering a portfolio of loans.

BANKS' PROVISIONS AGAINST SOVEREIGN LOANS

Bank	First half 1987 (£m)	Total (£m)	As % of outstanding loans
Lloyds	1,066	1,300	30
Midland	916	1,190	27
Barclays	570	n/a	25
NatWest	466	827	30

Three of the four banks said yesterday they were unaware of the latest development, while the fourth did not comment. They warned that it was too soon to be sure of the exact level of tax relief that would be given, since tax computations for 1987 had not yet been sumitted to the Revenue for approval.

The relaxation of the inspectors' stance follows the introduction by the Bank of England of a new, objective way of calculating provisions. This scheme, introduced in the summer, brings a degree of certainty to a notoriously subjective area.

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Criticism grows over Israeli deportation plan

BY OUR JERUSALEM CORRESPONDENT

INTERNATIONAL CRITICISM of Israel intensified yesterday over its plan to deport nine Palestinian nationalists from the occupied West Bank and Gaza Strip, as the deportees launched a hunger strike and their lawyers protested at the conditions under which they were being held.

Arab governments were virtually unanimous in their criticism of the Israeli decision, announced on Sunday.

Egypt, the only Arab state to have signed a peace treaty with Israel, was reported to have warned the Israeli Government that its move could have "grave repercussions".

Mr David Mellor, UK Foreign Office Minister who is on a visit to Gaza, said the deportations contravened international law.

He also sharply criticised conditions under Israeli occupation. "I defy anyone to come here and not be shocked," he said.

He derided Israeli claims that the recent disturbances were organised from outside the territories and predicted more bloodshed unless the Palestinians were granted self-determination.

The four potential deportees who come from Gaza have begun an indefinite hunger strike, and the other five, housed in the West Bank town of Nablus, plan to join them.

All nine have lodged appeals against the expulsion orders. Hearings are scheduled to begin tomorrow before military review panels but, if they are rejected, they can go to the Israeli Supreme Court.

Mr Sayid al Attili, an Arab lawyer representing the five West Bank Palestinians, who visited them yesterday said they had been severely beaten by Israeli soldiers before being transferred to the Nablus prison.

He said he would complain to the Israeli military government and to the International Red Cross.

Mrs Felicia Langer, an Israeli lawyer representing the four in Gaza, said they were being kept in cold, wet cells. They had decided to fast "unto death" because deportation was "equivalent to death for a Palestinian".

Mr Yitzhak Shamir, the Israeli Prime Minister, responded to international criticism yesterday with a pledge that deportation would be used sparingly. It was the most severe punishment available and was invoked only when there was no other choice, he said.

He insisted, in reply to a strong condemnation by President Hosni Mubarak of Egypt, that Israel was practising restraint and was doing all it could to prevent bloodshed.

Mr Robbi Sabel, the head of the Foreign Ministry's legal department, rejected charges that the deportations were in breach of the Fourth Geneva Convention, which establishes the rights of occupied peoples.

Senior Israeli Government lawyers claimed that the provision in the Geneva Convention had to be read in the context in which it was framed – the mass deportations carried out by Nazi Germany during the second world war.

It did not stop an occupying power from banishing individuals in exceptional circumstances.

Scattered disturbances were reported yesterday from al-Ram, north of Jerusalem, where an Arab housewife was shot dead by Israeli soldiers on Sunday, and the neighbouring towns of Ramallah and El-Bireh.

Stone-throwing youths were dispersed with tear gas and rubber bullets.

Thatcher opposes sanctions at start of Africa tour

By Michael Holman in Nairobi

MRS MARGARET Thatcher, the British Prime Minister, last night vigorously reasserted her opposition to economic sanctions against South Africa as she arrived in Nairobi at the start of a five-day African tour.

Mrs Thatcher said that comprehensive mandatory sanctions would damage South African industry which was "actually being instrumental in bringing apartheid to an end." Such sanctions would make negotiations between black and white less, rather than more, likely, and would be unenforceable given South Africa's long coastline.

She was speaking in an interview with the British Government's Central Office of Information, the transcript of which was released yesterday to journalists travelling on her aircraft.

Those who advocated sanctions were portrayed by Mrs Thatcher as sitting in "luxurious hotels" saying: "We believe we have a right to decide how many people shall starve in South Africa."

"I find that utterly repugnant," Mrs Thatcher said.

The Prime Minister's observations and claim to the moral high ground are not new, but their timing may be embarrassing to her Kenyan hosts and could add to the controversy her visit has stirred in Nigeria, Mrs Thatcher's next stop.

The British Premier arrived to a warm, red-carpet welcome from Mr Daniel arap Moi, the Kenyan President, who met Mrs Thatcher as her RAF VC10 touched down in Nairobi.

It is the first visit to Kenya by a serving British Prime Minister, and Mrs Thatcher's first trip to Africa since she attended the Commonwealth conference in Zambia in 1979.

Mrs Thatcher holds her first formal talks today with President Moi. British diplomats in Nairobi have tried to play down the expected differences between the two leaders over South Africa, saying that the main purpose of the visit is to introduce Mrs Thatcher to what is still seen as one of Africa's success stories, despite looming economic difficulties. Its reputation has also been marred by reports of torture of political prisoners and by detentions without trial.

Mrs Thatcher made no reference in her interview to these concerns but praised Kenya's mixed economy and the Government's encouragement of the private sector. "It is one of the best stories there is to tell in Africa," she said.

Kenyan officials reacted phlegmatically last night to the Prime Minister's comments about South Africa. They have accepted that Mrs Thatcher will not change her stance and will concentrate on bilateral relations.

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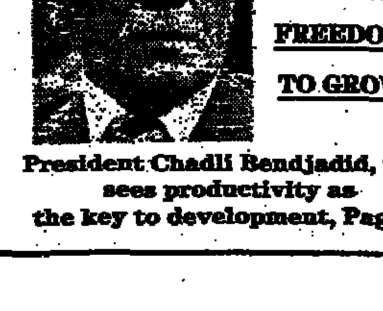


ALGERIA GIVES ECONOMY FREEDOM TO GROW

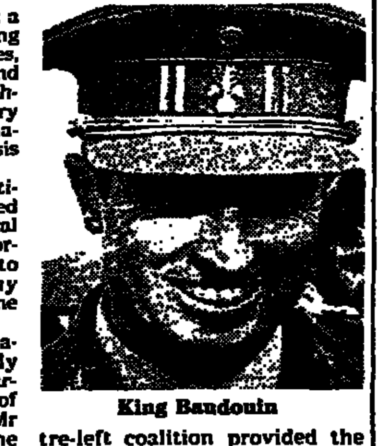
President Chadli Bendjadid, who sees productivity as the key to development, Page 3

Fresh attempt to end Belgian political crisis

BY TIM DICKSON IN BRUSSELS

BELGIUM'S political crisis took a new twist last night, when King Baudouin invited Mr Willy Claes, a former Economics Minister and a senior figure in the Flemish-speaking Socialist Party, to carry out a new "mission of negotiation" aimed at laying the basis for a new government.

Best known outside his political activities as an accomplished amateur musician and orchestral conductor, Mr Claes faces a formidable task in attempting to persuade the country's many political parties to play the same tune.



King Baudouin

His appointment as "negotiateur" was announced shortly after the completion of an apparently fruitless 17-day "mission of information" carried out by Mr Guy Spitaels, president of the French-speaking Socialist Party. This was designed informally to test all shades of political opinion in the wake of last month's inconclusive general election results, which showed a marked swing to the left in francophone Wallonia, but which left the right-wing Liberals as the major beneficiaries in Flemish-speaking Flanders.

Mr Claes, who last night formally agreed to take on the task, has been specifically charged with drawing up a report for the King on a new government programme dealing both with the country's deep-rooted linguistic and constitutional problems, as well as economic priorities, such as the budget, the fight against unemployment and preparations for a single European market in 1992.

He has also been asked to report back on possible coalitions which could carry out such a programme.

Observers in Brussels last night could not recall a precedent for Mr Claes's negotiating mission. It is traditional for a "formateur" to be appointed after the completion of the informateur's role to try to form a government.

Belgium's current political difficulties have been caused by the fact that no one (or even two) political parties emerged from the recent poll with a clear majority. The situation is further complicated by the deep cultural and linguistic divisions between French-speaking Wallonia to the south and Flemish-speaking Flanders to the north.

Mr Spitaels insisted that on the basis of his consultations a centre-left coalition provided the best hope for the country's stability.

He indicated, however, that he was not optimistic that a new government would be formed "in the short term," a view shared by most political observers in Brussels, who believed that it would be several weeks at least before a solution could be found.

Significantly, Mr Spitaels did not rule out a continuation of the present alliance between the middle-of-the-road Christian Democrats (the CVP and the PSC) and the right-wing Liberal parties. But he rejected the much-touted idea of a three-way coalition (including the Socialists) to tackle the country's constitutional problems.

Mr Spitaels said that besides the three-way coalition, he did not "go along with solutions which would include one or other of the smaller parties from the regions or a Socialist-Liberal (left-right) coalition."

"The coalition which seems to me to respond to the necessities is a Socialist/Christian Democrat coalition, particularly because it takes into account the direction of the poll and because it guarantees a majority in the two Communities in the three regions."

Mr Spitaels acknowledged, however, that such a union might be difficult, and "without recommending it" pointed out that "the hypothesis remains of a Christian Democrat/Liberal coalition." He added that these two groups commanded a "broad parliamentary majority" and that the option was favoured by certain representatives of the outgoing coalition.

EC faces first major test of air competition policy

BY TIM DICKSON IN BRUSSELS

THE FIRST major test of the European Community's new powers to enforce competition in the air transport sector will take place at a crucial meeting today between British Airways and the European Commission.

Officials from the Commission are expected to spell out in more detail aspects of the recently agreed merger between BA and its major British rival, the British Caledonia group, which are causing major concern in Brussels. These worries were first voiced in a letter from Mr Peter Sutherland, the EC's Competition Commissioner to Lord King, BA chairman just before Christmas.

A spokesman explained the discussion today is likely to be technical and would involve a two way exchange of information but he added, "We will certainly be making the point that we are quite serious about this".

Strictly speaking, officials in Brussels point out, the Community has theoretical powers to block the BA/BCal merger but such drastic action is not being contemplated by the Commission. It is understood, rather, that the Brussels authorities are seeking possible route disposals or at least firm undertakings from BA to deal with alleged infringements of the competition rules of the Treaty of Rome, the EC's founding charter. In particular, officials believe that there are likely to be contraventions of Article 86, which deals with the abuse of a dominant position.

Under current law the Community is not able to act until the merger is complete but officials say that important powers now exist under the new regulation on airline competition which came into effect on January 1. These allow the Commission for the first time to apply the competition rules to airlines.

Portuguese jobless down

BY OUR LISBON CORRESPONDENT

PORTUGAL's unemployment rate dropped to the lowest recorded rate in four years in the third quarter of 1987, the National Statistical Institute reported.

INE figures show 8 per cent, the equivalent to 370,000 people, were unemployed in the July-September period.

This represents a 1.8 per cent rise in employment in the third quarter following a 2.8 per cent rise in the second quarter and an increase of 3.4 per cent in the first quarter of 1987.

Portugal's largest trade union federation, the Socialist-leaning UGT claims the figures are being misinterpreted.

Dr Maria de Lourdes Santos of the UGT said the unemployment rate had been inflated by short term work-training programmes, and that 18 per cent of the salaried workers were on temporary contracts. These groups could not be counted as permanently employed.

W German diplomat murdered in Paris

By Our Paris Staff

A YOUNG West German diplomat was fatally shot in Paris in the early hours of yesterday morning, and a tract signed by a militant Kurdish group was found in his pocket.

A caller told the London office of Turkey's Anatolian News Agency that a group called "Liberation of Kurdistan" was responsible both for the Paris killing and the crash on Saturday of a West German airliner in Turkey, in which 16 died. But German and Turkish investigators said there was no evidence that the German plane was sabotaged.

Mr Siegfried Wielspütz, 31, was found wounded on the walkway which crosses the Seine between the avenue de New York in the XVIth arrondissement and the quai Branly in the VIIth. He died shortly after arriving in hospital.

The tract was signed by the National Front for the Liberation of Kurdistan (Eniya Rizgariya Netwa Kurdistan). Without making any specific demands, or explicitly claiming responsibility for the murder, it repeated known Kurdish nationalist complaints against the West German authorities. The chief of these is the charge that, in the course of a series of investigations into the Kurdish movement in Cologne last July, the West German police seized DM700,000 as well as a number of valuables.

However, the Kurdistan Committee in Paris, which is associated with ERNK, denied that ERNK bore any responsibility for the murder, and blamed it on the Turkish secret service.

After the confiscation, ERNK claimed the money, which had been collected in various European countries, belonged to the Kurdistan Committee of Paris. Since the seizure of the money, ERNK has demonstrated against various West German institutions in Paris, including the offices of the news agency DPA, the television station ZDF and the airline Lufthansa.

At one stage, the name of the ERNK was speculatively linked with the Swedish police enquiry into the death of Prime Minister Olof Palme, who was murdered in Stockholm in February 1986, but this theory was abandoned a year later.

ERNK, which includes the Marxist-Leninist Kurdish Workers' Party of Turkey, will be represented from Kurdish groups in Irak, Iran and Syria, was founded in 1985 by Kurdish exiles in Germany and a number of other European countries.

Yugoslavia hit by 1,570 strikes in 1987

YUGOSLAVIA had 1,570 strikes involving 365,000 workers in 1987, the state news agency Tanjug said yesterday, Reuter reports from Budapest.

Tanjug quoted trade union figures as showing that 851 strikes involving 88,000 workers took place in 1986.

Yugoslavia was hit by two major strike waves this year, both following economic measures imposed by Prime Minister Branko Mikulic.

In March Mr Mikulic triggered an unprecedented series of strikes when he rolled back wages and froze them at last quarter 1986 levels. After the strikes started he froze some prices.

In November Mr Mikulic pushed through parliament a package of emergency austerity measures, including sharp price increases followed by a price freeze as well as a partial wages freeze.

Czech daily attacks Dubcek reformers

BY JUDY DEMPSEY IN VIENNA

RUDE PRAVO, the Czech Communist Party daily yesterday sharply criticised those involved in the "Prague Spring", the reform movement in Czechoslovakia which twenty years ago attempted to give socialism a human face but was crushed in August 1968 by a Soviet-led invasion.

In an uncompromising attack on what it termed "right-wing forces" which "misused" efforts to develop and strengthen socialism in Czechoslovakia, the paper *said that by the summer of* 1968, Czechoslovakia was "on the verge of counter-revolution."

But "internationalist assistance of five socialist countries prevented the leaders of the right-wing in Czechoslovakia from carrying out their intentions" aimed at overthrowing socialism, the paper *said*.

The Rude Pravo article comes at a time when Czechoslovakia is preparing for several anniversaries which fall this year.

Twenty years ago today, Mr Alexander Dubcek replaced Mr Antonin Novotny as first secretary of the Communist Party of Czechoslovakia and began a *series of* economic and political changes designed to reform the socialist system.

Commenting on those events, Rude Pravo wrote that the changes undertaken in Czechoslovakia during 1968 bore no resemblance whatsoever to the changes Mr Mikhail Gorbachev, *the Soviet leader, is pursuing in* the Soviet Union.

In a defensive, polemical tone, the paper argued "our ideological and class enemies have been *spreading allegations that what* the right-wing opportunists and revisionists were aiming at in Czechoslovakia in 1968 is identical with the reconstruction in *the USSR with the efforts of the* Soviet Communist Party. This is an outrageous, shameless and thin lie."

The paper also warned those involved in *1968 not to exploit* the process of reconstruction nor expect to be rehabilitated. Mr Dubcek, like many of his former colleagues, has since become a *"private person", a euphemism* for exclusion from political and public life.

Over half a million people were purged from the Commu*nist Party after 1968. Many of* the expulsions were carried out by Mr Milos Jakes, the recently appointed General Secretary of the CPCZ, who was then chair*man of the* auditing and control commission of the party.

Mr Jakes is due to visit Moscow shortly, his first since becoming party secretary.

Dubcek: still unacceptable

Greek central bank in fresh reform move

By Our Athens Correspondent

THE BANK OF Greece said yesterday it had abolished a 21 per cent minimum interest rate on bank loans for operating capital.

The move is part of the central bank's reform plan gradually to phase out its direct control of money and capital markets and eventually let the markets themselves, rather than administrative rulings, determine all interest rates, according to a Bank of Greece statement.

This measure liberalises interest rates on about 55 per cent of total commercial bank loans to the private sector.

In June, the bank laid the foundation for this move by setting the 21 per cent minimum rate. It applied to all loans for which maximum interest rates had been 20-21.5 per cent.

At the time, the bank said this represented a major step towards financial reform by ending the long-standing practice of administratively setting lending rates and by allowing financial institutions to set interest rates above the minimum on the basis of banking criteria and market conditions.

Lending rates that were liberalised initially rose to between 22 per cent and 25 per cent, but they gradually fell to an average in October 1987 of 22.5 per cent to 23 per cent.

Polish bank rescues reformists

BY CHRISTOPHER BOBINSKI IN WARSAW

POLAND'S national bank has taken steps to save one of the country's most outspoken reformist *journals, Zarzadzanie* (Management), whose future came into question last autumn.

The bank, which is headed by Mr Wladyslaw Baka, an avowed economic reformer, has agreed to take a major share in a new company set up to run the paper.

Last week, Mr Baka made an outspoken speech to Parliament in which he implicitly criticised his government colleagues for overspending and running up a budget deficit last year over which, he hinted, neither the *bank nor the Finance Ministry* had any control.

The 17,000-circulation monthly journal which is read by senior managers has in the past angered conservatives in the Government by its reformist stance.

Now it can also be expected to reflect the national bank's concerns, which include restricting the money supply and imposing strict profit and loss criteria on companies.

Zarzadzanie ran into trouble in *October* when a publishing group headed by Rzeczpospolita, the Government's daily newspaper, to which it belonged, decided to drop it.

Fifty-one per cent of the shares in the new company are in the hands of the bank and Orgmasz, an official research institute. The rest are owned by Mr Jozef Sniecinski, the paper's editor, and other members of the staff.

Goria starts Asian trade drive

BY DAVID LANE IN MILAN

MR Giovanni Goria, Italy's Prime Minister, and Mr Giulio Andreotti, the Foreign Minister, yesterday began a major trade drive in Asia.

Their eight-day trip, involving visits to Malaysia, Singapore, Indonesia and India, started in Kuala Lumpur, the Malaysian capital.

The Italian mission reported a positive first result with the signing by Agip, the oil subsidiary of Italy's state hydrocarbons holding corporation ENI, of a research and production agree*ment with Malaysia's state oil* company.

The Italian company will undertake a five-year exploration programme in off-shore block SK9. This covers an area of 6,959 sq km off the coast of Sarawak. The block is near the Brunei border and is considered to be of significant interest.

Agip's exploration programme will involve tracing 5,000km of seismic lines and drilling three exploratory wells in an off-shore area with an average depth of 100 metres.

The company expects that the block will yield oil rather than natural gas. The agreement between Agip and the Malaysian state corporation is based on production sharing and will run for a total of 24 years.

Exploration costs will be borne by the Italian company, which will also carry a part of development and production costs.

Agip expects to recover all costs and to make a profit from its share of oil production. Officials at Italy's state hydrocarbons holding corporation note that Saipem, a subsidiary involved in pipe-laying, is *currently* involved in a tender for a 700km gas duct worth about $500m in Malaysia. Saipem officials accompanied Mr Goria during the visit to Kuala Lumpur.

Peter Wise describes the storm of protest from unions

Lisbon faces battle on labour reforms

PORTUGAL's centre-right government is facing a storm of protest from unions as it moves to revise strongly pro-worker labour laws that have clouded industrial relations and hampered economic development for *the past 12 years.*

Employers also are attacking the government for proposals which they believe are not radical enough.

Five previous attempts to rewrite the controversial laws passed by leftist governments in 1975 were abandoned or shelved by weak minority administrations or unstable coalitions unwilling to tamper with legislation that unions defend as one of the major achievements of the "revolution of the carnations."

The Social Democrats of Prime Minister Anibal Cavaco Silva now have the parliamentary strength to legislate unchal*lenged, but hopes of achieving a* consensus on how to modernise the fabric of Portuguese society seems to be eluding them.

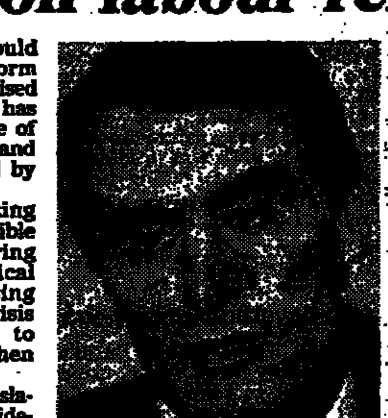
An outline of a government labour bill placed before the Council for Social Conciliation last month in the hope that unions and employers could reach agreement on reform before the legislation is finalised and presented to parliament has been condemned as an abuse of workers' rights by one side and criticised as excessivly timid by the other.

Employers say the existing laws make it almost impossible to dismiss workers, deterring investment in technological modernisation and exposing companies to financial crisis because they are unable to reduce their workforces when markets contract.

The inflexibility of the legislation is partly blamed for widespread use of child labour, precarious employment of many workers on short-term contracts and massive wage arrears that reached their worst during the 1983-85 recession when companies failed to pay more than *100,000 employees for several* months at a time.

Unions acknowledge the need for more flexible legislation, but contend that many employers have used the labour laws as an excuse for poor management. Some foreign companies which have overcome the difficulties through successful voluntary redundancy and early retirement schemes also believe the problems are often exaggerated.

Mr Cavaco Silva pledges that bringing Portuguese labour law in line with modern European legislation will create jobs by enabling companies to perform more productively and attracting more foreign investment.



Cavaco Silva: thorny task

The major reform proposed by the government is to make changing economic, technical, structural or market conditions sufficient *grounds for dismissal. Companies say it is only possible* to dismiss workers for flagrant misconduct after long court battles.

Unions have raised the strongest objections to proposals to make a management's "loss of confidence" in workers in senior positions reason for dismissal. They have also condemned plans to simplify the bureaucracy involved in dismissing workers in companies with less than 10 workers - the majority in Portugal.

The Portuguese Confederation of Industry, the main employers' federation, says the proposals do not go far enough, particularly in liberalising lay-off procedures, and accuses the government of *wasting a unique opportunity to* make radical reforms.

If the government fails to reach a consensus on the legislation with at least the more moderate labour unions it seems likely to face growing worker unrest if it presses ahead.

Top Parisian brasserie changes hands

By Paul Betts in Paris

LA COUPOLE, one of the most famous brasseries on the left bank of Paris and one of the landmarks of Montparnasse, is changing hands.

The huge noisy restaurant, which was favoured in the 1930s by French artists and intellectuals, has been taken over by the Flo group, a flourishing enterprise started by a former chef called Mr Jean-Paul Bucher who has specialised in restoring and running some of the most venerable art deco brasseries of the capital.

The group already owns five large brasseries in *Paris* including Brasserie Flo, Le Terminus Nord, Julien, Le Vaudeville and Le Boeuf sur le Toit.

It has also expanded in the French provinces as well as opening a restaurant in Barcelona and one in Japan. The group has also launched itself in the upmarket catering business.

La Coupole is likely to be turned into a flagship for Flo group not only because of the restaurant's size - it covers 800 square metres - but also because of its past history.

Its patrons included Picasso, Dali, Matisse and Fernand Leger, famous painters and writers such as Andre Breton, Sartre, Hemingway and Cocteau, as well as the singers Mistinguett and Josephine Baker.

One of the best-known features of La Coupole are its paintings and frescoes by some of the most famous French artists of the 1930s.

In recent years, the huge brasse*rie opened in 1927,* had somewhat faded and was living largely on its old memories and reputation. It is now likely to enjoy a renaissance under its enterprising new owner, who has become the undisputed king of the brasseries in Paris.

Soviet ruling curbs abuse of psychiatry

THE SOVIET Union's highest authority has issued a ruling to help protect citizens against the abuse of psychiatry according to Tass newsagency yesterday, **Reuter reports from Moscow.**

The ruling by the Praesidium of the Supreme Soviet followed several articles by Soviet journalists on the abuse of psychiatry.

Tass said it provided "legal guarantees against possible mistakes or *malpractices* in the rendering of psychiatric help to the people."

Relatives of those committed to mental hospitals for their own or society's protection would be able to appeal to the courts against doctors' decisions and the state prosecutor's office would monitor the conduct of psychiatry, it said.

Tass said the Praesidium of the Supreme Soviet of the Russian Federation had also changed its criminal code to specify what treatment could be forced on the mentally ill and to make it an offence to commit a healthy person to an asylum.

Soviet journalists have been increasingly outspoken in their examination of psychiatry, under the "glasnost" policy of the Soviet leader, Mr Mikhail Gorbachev who has already introduced a limited system of citizens' appeal against abuses by bureaucrats.

One article last November in the Communist youth newspaper, Komsomolskaya Pravda, related the case of a 20-year-old Leningrad factory worker diagnosed as schizophrenic and committed to a clinic against her will after criticising her boss and working conditions.

Vienna acts to clear Waldheim's war record

THE AUSTRIAN Government yesterday in London attempted to refute allegations that State President Dr Kurt Waldheim was involved in Nazi activities during the last war, **Press Association reports from London.**

Mr Fritz Molden, who was a member of the Austrian resistance against the Nazis, and Dr Ralph Scheide, from the Austrian Foreign Ministry, presented the documentary evidence at a press conference in the Austrian embassy intended to demonstrate that the allegations against Dr Waldheim are false.

They are to fly to the United States later this week to present similar evidence on Dr Waldheim's behalf in Washington and New York.

Two months ago the British Government affirmed that there was no evidence that Dr Waldheim was involved in Nazi activities. But the US Government has put him on its watch-list, which effectively makes him a prohibited immigrant.

Mr Molden, who was personal secretary in 1945 to the Austrian *Foreign Minister, Dr Karl* Gruber, who was also head of the Austrian resistance, recalled Dr Waldheim's original application for a job in the foreign ministry.

Dr Gruber ordered that Dr Waldheim's background should be fully investigated and he was given a job in the Foreign Ministry. Dr Waldheim was himself later to become Dr Gruber's personal secretary.

Dr Waldheim had a family background which was opposed to Nazism, said Mr Molden, a journalist and publisher.

He added that it would have been better if the documentary evidence refuting the allegations had been published early. But when the allegations were made almost two years ago they came as a bombshell.

The presidential election in Austria had since intervened and it was then decided that the allegations should be answered.

Dr Scheide said the US authorities had explained that their decision to put Dr Waldheim on the watch-list did not amount to an allegation that he was involved in war crimes or persecutions.

It was felt that the US had decided to put Dr Waldheim on the watch-list for its own domestic *political reasons, he said.*

An independent commission is now investigating the allegations in Austria against Dr Waldheim, a former Secretary General of the United Nations.

Hopes rise for deal in Baltic border dispute

BY SARA WEBB, STOCKHOLM CORRESPONDENT

HOPES *for a solution to the Baltic* sea boundary dispute between Sweden and the Soviet Union have been raised, following recent intensive talks between the two sides and Sweden's apparent willingness to make certain concessions.

The Swedes hope that a preliminary agreement to the dis*pute* - which has rumbled on and off since 1969 - can be signed to mark the occasion of Soviet Prime Minister, Mr Nikolai Ryzhkov's visit to Stockholm *next Monday.*

A Swedish delegation, headed by Ambassador Lennart Myrsten, flew to Moscow yesterday for talks over the next few days to continue the negotiations held with the Soviet delegation in Stockholm before Christmas.

A senior official at the ministry of agriculture said yesterday that the Swedish delegation would offer "some adjustments" to Sweden's stance in the dispute, believed to amount to an offer of about 25 per cent of the *disputed area to the Soviet* Union and limited fishing rights in the Swedish part of the zone.

The question of exactly where Sweden meets the Soviet Union *in the Baltic sea has been a bone of contention for the last 19* years. Sweden has maintained that the boundary should be drawn midway between the Soviet Baltic mainland and the large *island of* Gotland which lies about 100km off the east coast of Sweden and is an important military base.

However, the Soviet Union wants the boundary to be drawn halfway between the Swedish mainland and the Soviet mainland, which would place it close to Gotland's east coast.

Since 1977 the disputed area, which is about 13,500 sq km in size, has been declared a "white zone" and has not been subject to fishing regulations. Swedish officials claim that valuable cod, salmon and herring stocks are being overfished, particularly by the Danes and West Germans.

Both sides see the Ryzhkov visit as an ideal opportunity to solve the boundary dispute.

Mr Jens Eriksson, chairman of the Swedish National Fishermen's Association, said that an agreement which gave the Soviet Union 25 per cent of the disputed area and fishing rights in the Swedish part of the zone for up to 10 years would be acceptable.

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Poll deaths grow in Philippines

By Richard Gourlay in Manila

POLITICAL violence in the Philippines has grown worse ahead of the January 18 local elections with the shooting of two more candidates for mayor despite a year-end plea from President Corazon Aquino for a halt to the killings.

The latest victims, from administration and opposition parties, were shot dead by unknown gunmen while canvassing at the weekend. Twenty prospective mayors have been killed since the election campaign began at the beginning of December.

More than 30 party workers have also been killed in election-related violence. The most recent, also at the weekend, was a pro-Aquino candidate for municipal councillor on the island of Negros.

The elections complete the restoration of the democratic institutions which began with a referendum for a new constitution and congressional elections last year. They will return 75 provincial governors, more than 1,500 town and city mayors and thousands of municipal officials.

They are becoming increasingly dominated by the "guns and goons and gold", the traditional tools of Filipino politicians during elections.

Israeli Finance Minister wins budget approval

BY JUDITH MALTZ IN JERUSALEM

Nissim: cuts accepted

THE ISRAELI Cabinet approval of a Sh47.3bn (£16.8bn) budget for 1988-89 by an overwhelming majority has served to strengthen the country's already popular Finance Minister, Mr Moshe Nissim.

Regarded as a particular achievement was Mr Nissim's ability to push through most of his proposed cuts during an election year – generally associated with huge government overspending in Israel.

By a vote of 18 to 2 on Sunday, the Cabinet agreed to reduce government spending by a total of Sh742m – mainly in subsidies, health and education – not much less than the Sh755m cuts Mr Nissim had originally called for five weeks ago.

It had been expected that the Cabinet vote would break down fairly evenly along party lines but apart from the health and education ministers, most Labour Party ministers joined the Likud ranks in providing their stamp of approval.

One setback, however, for Mr Nissim was his inability to garner support for certain proposals aimed at uprooting the elements of Israel's social welfare system. The Finance Minister had favoured imposing tuition fees on secondary school education and fee charges on medical services.

A Treasury spokesman yesterday described the approved budget cuts as "the minimum required to maintain stability and reduce inflation slightly". Israel's annual inflation rate is currently 16.4 per cent.

The largest single budget cut came in subsidies on food and public transport, which were reduced by Sh300m. Another Sh65m came out of the health budget and Sh10m from education.

Carlucci tours Gulf to review navy role

BY ANDREW GOWERS, MIDDLE EAST EDITOR

Mr Frank Carlucci: treading carefully

MR FRANK CARLUCCI, the US Defence Secretary, last night began a review of the size and role of the US naval force in the Gulf on his first official visit to the region since his appointment last November.

Mr Carlucci arrived in Kuwait yesterday and will also visit Saudi Arabia, Bahrain and Oman, as well as US Navy warships in the region, during the coming week. All four states have provided crucial assistance to the American naval build-up in the Gulf since last summer.

The Defence Secretary will be confronted with at least three delicate questions during his trip:

- Is the US fleet of about 30 warships now patrolling the region an appropriate size for its mission of protecting US-flag tankers from Iranian attack?

There are conflicting pressures on the Pentagon both to increase and decrease its military presence. Many American experts argue that the limited job of protecting US-flag tankers – including 11 reflagged Kuwaiti vessels – could be done with a somewhat smaller force, especially in view of the stretched state of the American military budget.

- Should the role of the American fleet be expanded to include protection of shipping other than that flying the Stars and Stripes?

As the Gulf "tanker war" has intensified in recent weeks, vessels registered in neutral countries such as Liberia, Panama and Norway have borne the brunt of attacks.

- What is the nature and extent of the American defence commitment to the Gulf states, which have been faced with persistent Iranian sabre-rattling in recent weeks?

This is an area in which Mr Carlucci will have to tread especially carefully, given sensitivities at home over possible involvement in a foreign conflict and ambivalent attitudes in the Gulf states towards close public association with the US. He is more likely to make general reassuring noises than to provide any specific commitments.

Nigeria's foreign debt increases 19 per cent

NIGERIA'S foreign debt was up by almost 19 per cent to $23.4bn by the end of October from the $19.7bn reported in September, Mr Chu Okongwu, Finance and Economic Development Minister said yesterday, **Reuter reports from Lagos.**

He was announcing details of a 1988 budget outlined by President Ibrahim Babangida last week, which aims to boost the economy by lifting a four-year wage freeze, expanding bank credit and pumping a special $600m payment into transport and infrastructure.

The military government also increased tariff protection for local manufacturers, chiefly the key vehicle assembly plants, and took steps to boost small and medium enterprises.

Mr Okongwu said if the budget was implemented correctly, Nigeria would "have more visible signs of recovery and growth in 1988."

The Government expects 1988 revenues of 15.7bn naira ($3.8bn) compared with expenditure of 24.3 billion naira.

Mr Okongwu said the budget was calculated on a world price for oil of $16 a barrel, below the price agreed by the Organisation of Petroleum Exporting Countries for Nigeria's crude of nearly $19. Oil sales represented 77.8 per cent of projected 1988 revenue, he said.

Nigerian economists said the projected budget deficit of 8.6bn naira would be funded by domestic borrowing and external loans – chiefly on soft terms from the World Bank and official credit agencies.

Financial analysts said the rise in Nigeria's debt was in line with World Bank and International Monetary Fund estimates.

Jakarta likely to seek further public spending cuts

BY JOHN MURRAY BROWN IN JAKARTA

The Indonesian leader last week urged restraints on foreign borrowings, greater efforts to boost exports outside the oil and gas sectors, more efficient tax collection and tighter control of state finances.

PRESIDENT SUHARTO of Indonesia is likely to call for further cuts in government spending when he presents his draft 1988-89 budget to parliament today.

While there may be nominal increases in total expenditure – routine and development – up from last year's rupiah 22,700bn (£7.38bn), the budget is expected to mark a further decline in real terms given that inflation is running at around 9 per cent.

Foreign borrowings, whether mixed credits, soft loans or grants, last year covered 70 per cent of the development budget and about a quarter of the total, largely making up for the fall in revenues from oil, historically the country's largest source of state budget receipts.

Tax collection has been improved but foreign businessmen believe last year's projected 65 per cent increase in value added tax, still avoided by many retailers, may prove overly optimistic. Total tax revenues in the first half-year reached 44 per cent of the target, according to official figures.

Malfeasance by state employees, however, has been curbed somewhat following a series of highly publicised corruption cases. A strong case has been made for a salary increase for the country's 3m public servants, the first rise in three years.

Of routine expenditures, debt service payments are targeted to grow by 20 per cent in fiscal 1988-89, according to Mr Radius Prawiro, the Finance Minister, as some principal becomes due and the yen continues to appreciate. In the wake of last month's Vienna meeting of the Organisation of Petroleum Exporting Countries, the Government is expected to play safe and base its spending projections on a $15 a barrel oil price, the same as last year.

Chadli takes halter off the economy

BY FRANCIS GHILES, RECENTLY IN ALGIERS

PRESIDENT Chadli Bendjedid abolished Algeria's Ministry of Planning in November. It was an important symbolic break with 25 years of rigid central controlof the economy, and illustrated the seriousness with which the Government is now pursuing economic reform.

The National Assembly in Algiers is debating six bills designed to give much greater freedom to managers of state companies, which have dominated the economy.

But it is rapidly becoming clear that Mr Chadli plans to go a good deal further. He appears to have in mind nothing short of the transformation of the country's industrial and agricultural systems. In a speech to Parliament in December, the President said state industries should be allowed to manage their own affairs and farmers given more freedom to grow and market their own produce.

In a White Paper which accompanies the reform bills, the presidency argues that "productivity is the key engine of economic and social development" and condemns Algeria's rigidly hierarchical bureaucracy.

It accepts that a number of reforms aimed at unshackling the economy since 1981 have failed because the legal framework inherited from the period of crusading socialism in the 1970s has not given way to a system where the state and private entrepreneurs are treated as equals.

The economy continues to suffer from over-investment and shortages because of bureaucratic misallocation of resources.

Revolution

Rehabilitating commercial law and forcing state and private companies to respect it would constitute a minor revolution in a country where an all-powerful bureaucracy has seen its prerogatives further strengthened by the monolithic ruling party, the Front de Liberation National (FLN).

Algeria, to be sure, was never Eastern Europe. The FLN never boasted the tight organisation nor the ideology which would have enabled it to control a country whose 23m inhabitants are Mediterranean in temperament, not afraid to speak their minds and enjoy opportunities to travel abroad.

But there are pressing reasons why the head of state should now be enthusiastically promoting reform. Last year's collapse in the price of oil and gas cut Algeria's foreign income by 40 per cent.

It brought Mr Chadli new allies among managers and army officers, who realised how potentially disastrous it was for the country to continue to depend on imports for two-thirds of its food and earn virtually all its income from the export of hydrocarbons.

It also bolstered the position of those who had long been convinced of the need for radical change, such as Mr Kasdi Merbah, Algeria's capable Agriculture Minister. He has done much since 1984 to boost production, which collapsed in the 1970s under the impact of inflexible collectivisation policies.

In September he offered 220 state farms on long leases to new co-operatives and individuals who will be free to run them as they please, raise the necessary finance and perhaps eventually buy the land. Last month, the Government put all 3,000 state farms, which occupy the most fertile land in Algeria, up for rent. Nor is there any shortage of takers.

The private sector has been encouraged by the re-establishment of chambers of commerce in major cities.

Entrepreneurs will henceforth have a real say in the decisions which govern the procurement of raw materials and machines, hitherto entirely in the hands of civil servants. The state monopoly of trade remains but the private sector should benefit from better information.

Improvement

Ironically, these reforms come at a time when Algeria's balance of payments has in any case dramatically improved, thanks to a severe curtailment of imports. The trade balance is expected to show a surplus of at least $1.5bn compared with a deficit of $800m in 1986, while last year's $3bn current account deficit will probably be cut to nil.

Repayments on Algeria's $19bn-$20bn foreign debt remain heavy – $4.7bn this year and a similar amount in 1988 – but unlike so many other cash-strapped Third World countries, the country has so far managed to avoid having to reschedule.

None the less, the situation remains fragile. Exports, expected to top $9bn, are very sensitive to the value of the US dollar and the price of oil.

It has taken President Chadli a long time to convince many senior Algerians that the country's legal framework is at the heart of the problem, directly contradicting the policies proclaimed by the Government and the FLN.

Nor is the President under any illusions that the path towards economic reform will be a smooth one. Setting up modern auditing practices, reducing the rigidity of the wage structure, doing away with some of the exorbitant powers enjoyed by the ministries – all this will meet with fierce resistance from vested interests.

But to some extent Mr Chadli has insulated himself from such criticism by making it clear that his reforms are home-grown rather than imposed in response to any external diktat from bodies such as the International Monetary Fund and World Bank.

AMERICAN NEWS

Debt-for-bonds plan backed by Brazilian party

BY IVO DAWNAY IN RIO DE JANEIRO

MR ULYSSES GUIMARAES, leader of the Democratic Movement, Brazil's dominant political party, has strongly endorsed the adoption of a debt-for-bonds scheme along the lines of the Mexican programme announced last week.

Returning from New York at the weekend, Mr Guimaraes revealed he had had talks with senior executives of Morgan Guaranty Trust, a leading Brazilian creditor, which devised the exchange offer with Mexico.

He said that he intended to present proposals to party economists and, possibly, President Jose Sarney for analysis. A similar programme to that outlined to the party leader by Mr Gonzalo de Las Heras, Morgan Guaranty's vice-president for Latin America, could reduce Brazil's debt burden of $113bn by about 20 to 25 per cent, he claimed.

"It is not a solution to the debt problem, but it would be an important step if this goes ahead," Mr Guimaraes told reporters.

The politician's endorsement of the Morgan proposals gives significant weight to the introduction of such a scheme in Brazil.

The Mexican programme had already been described as "highly positive" for Brazil by Mr Mailson da Nobrega, the country's acting Finance Minister. But his predecessor, Mr Luiz Carlos Bresser Pereira, had suffered repeated negative responses from the party to his proposals on debt.

The party, which dominates both houses of Congress, showed little enthusiasm for Mr Bresser's own "exit-bonds" plan, which was rejected by Mr James Baker, the US Treasury Secretary, last year. Now commentators are noting the similarity between Mr Bresser's plan and that adopted by Mexico.

A significant difference, however, is that Brazil's does not have an economic programme approved by the International Monetary Fund nor the large foreign exchange reserves needed to finance the plan. Brazil's reserves are believed to be about $5bn, substantially less than Mexico's. In addition, the Mexican scheme is voluntary for banks, whereas the initial Brazilian proposal would have been compulsory.

Guimaraes: strong endorsement

Speculation is mounting that President Sarney will name a new finance minister this week. Mr da Nobrega, the senior Finance Ministry civil servant, was appointed as interim minister last month following the resignation of Mr Bresser in protest against Mr Sarney's dilution of his tough measures to cut spending and raise taxes.

Alexander Nicoll adds: Morgan Guaranty has made clear that the new bonds to be issued by Mexico will rank equally with existing loans and will not be senior debt. They will, however, be collateralised by Mexico's holdings of US Treasury bonds and will therefore be a better credit.

Mary Helen Spooner reports on a recent alarming upsurge in human rights abuses

Actors bear the brunt of Chile's intolerance

NISSIM SHARIM is a Chilean actor and theatre director so well known in his country that strangers on the street call out snippets of dialogue from a successful television advertisement in which he appeared seven years ago.

But recently Mr Sharim, along with 79 other Chilean actors, directors and playwrights, has been the object of death threats from a right-wing extremist group which gave them 30 days to leave the country. When the deadline expired, the extremist group told Mr Sharim and another Chilean actor that they would be the first on the list to die.

These death threats are part of a recent upsurge in human rights abuses in General Augusto Pinochet's Chile. According to Mr Maximo Pacheco, vice president of the country's Human Rights Commission, the number of reported death threats, kidnappings, instances of torture and politically-motivated killings has reached its highest level since the regime's authoritarian constitution was promulgated seven years ago.

Human rights organisations have counted at least seven different right-wing groups which this year have issued death threats against hundreds of Chileans, including a Roman Catholic bishop and a civilian court judge.

In some cases the death threats have been followed by actual physical attacks: on November 30 a Chilean pediatrician in the port city of Valparaiso was dragged from his car by men armed with machine guns, who beat him, tied him to a tree, carved a swastika on his forehead and subjected him to a simulated execution before warning him to leave the country. Significantly, the doctor had earlier filed a court suit stating he had received anonymous death threats and that a yellow Subaru automobile had been following him, but judicial authorities rejected his request for protection.

The gangster-style tactics of Chile's right-wing extremist groups have been accompanied by an increase in left-wing terrorist activity. The Manuel Rodriguez Patriotic Front, a four-year-old guerrilla group which last year attempted to assassinate General Pinochet, recently attacked a police station and an air force installation, injuring nine officials and two civilians, but the group's most spectacular action to date has been the kidnapping of Colonel Carlos Carreno, deputy director of the Chilean army's munitions company, eluding a city-wide police and military dragnet and managing to smuggle the officer across the Argentine border and into Brazil, where he was finally released after three months' captivity.

General Pinochet: critics received death threats

The Manuel Rodriguez Front, however, enjoys very little support among Chileans, is thought to number only a few hundred militants and does not have the potential to become a serious armed threat to Chilean authorities. Yet the guerrillas' continued, albeit sporadic, activity seems to stimulate an even greater response from right-wing extremist groups. A few days after Colonel Carreno was kidnapped, five youths, all members of the Chilean Communist Party, disappeared and have not been heard since. Even after the army officer was released, apparently unharmed, the wave of death threats against regime opponents has not abated.

The sharp increase in death threats – from an average of 35 per month two years ago to nearly 100 per month this year – comes at a time when the Pinochet regime has begun a vigorous campaign for an as yet-unnamed government candidate for next year's one-man presidential plebiscite.

Some regime critics interpret the abuses as an effort to drive as many of General Pinochet's opponents out of the country before the vote takes place. Others fear that the growing activity by right-wing extremist groups is a sign that the regime can no longer control its most hardline elements. Given the proportions of the regime's security apparatus, Chilean officials have a difficult time explaining why the Government has not been able to identify and disarm the rightist death squads, thought to be comprised of retired or off-duty military personnel and pro-government youth groups.

One of the entities, known as the Chilean Anti-Communist Action (Acha), was founded in 1983 one month before the Manuel Rodriguez Front made its debut. Acha is believed to be responsible for the bombing of a Catholic church in Punta Arenas, in Chile's extreme southern territory, in late 1984 when an army intelligence officer who was apparently placing the explosive in the church's wall was killed. More recently, Acha has threatened several dozen human rights activists and opposition figures in and around Valparaiso, in some instances sending its grisly warning in the form of dead cats hung in the victims' doorways.

Last month Mr Fernando Volio, a United Nations special envoy, arrived in Santiago to prepare a report on the country's human rights situation, the sixth such document ordered by the UN. While the Pinochet regime maintains that the UN and other international organisations have a discriminatory attitude toward Chile, using criteria it does not apply to other countries, Chilean authorities have agreed to allow Mr Volio's visits. The regime seems unruffled by a UN general assembly resolution on December 7 condemning its human rights record.

Mr Volio reportedly told his hosts that the right wing extremist groups constituted a serious threat to Chile's internal stability and that failure to stop their activities would mean that "this society will continue to tear itself apart."

Nato may meet ahead of superpower summit

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT

NATO governments are discussing a proposal to hold a summit of member countries before the next meeting between President Ronald Reagan and Mr Mikhail Gorbachev, tentatively scheduled for the early summer.

Officials at Nato headquarters in Brussels stress that no date has been fixed, but the proposal to hold such an alliance meeting is understood to have been made informally by the US to its partners.

The purpose behind the suggestion is to prevent any recriminations by Washington's allies that their views are not being taken into sufficient account. This has happened in the past in spite of US efforts to consult its partners fully at foreign minister level both before and after bilateral summits with Moscow.

A Nato summit was originally mooted for the middle of last month, after the signature by President Reagan and Mr Gorbachev of the Intermediate-range Nuclear Forces Treaty in Washington, but was finally considered superfluous in view of an already scheduled foreign ministers' meeting.

However, the invitation by Mrs Margaret Thatcher, the British Prime Minister, to Mr Gorbachev to make a stop-over in Britain on his way to Washington, and her personal message to President Reagan before the last summit, were interpreted in some US quarters as a sign that the European allies felt the need to give more emphasis to their views before major US-Soviet meetings.

AP adds from New York: Time magazine says the US has started producing chemical weapons for the first time since 1969.

It says workers at the Army's arsenal in the southeastern state of Arkansas resumed nerve-gas production last month, filing, sealing and storing artillery-shell components with GB, a nerve poison.

Spending on construction rises by 2.2%

US CONSTRUCTION spending rose $8.9bn (£4.9bn), or 2.2 per cent, in November to a seasonally-adjusted annual rate of $419.5bn, the Commerce Department said, Reuter reports.

The November rise came after a revised fall in October of $300m, or 0.1 per cent. The department previously said October construction spending fell 0.5 per cent.

November spending was $28.9bn, or 7.4 per cent, above the total in November 1986.

It was the largest one-month rise in new construction outlays since February 1987, when spending rose 4.4 per cent.

Private construction spending rose to $342bn in November from $333.9bn in October, while public construction outlays were up to $77.5bn from $76.7bn.

Peru's inflation rate put at 114.5% for 1987

BY DOREEN GILLESPIE IN LIMA

CONSUMER PRICES in Peru grew 9.6 per cent in December, according to government figures. That would bring the inflation rate for 1987 to 114.5 per cent, deepening concern that Peru is headed for a recession.

Independent economists in Peru are forecasting a surge in the inflation rate to as much as 200 per cent in 1988. The rate in 1986 was 62.9 per cent. Peru suffered three-digit inflation between 1983 and 1985 when the cost-of-living increase reached more than 150 per cent.

The biggest increases in 1987 came in the second half of the year after the Government, faced with a lack of foreign exchange, reduced subsidies on basic foods such as flour, rice and cooking oil and on fuel and public services.

The Lima cost of living index increased by 9.6 per cent in December, according to official figures. But a survey of independent consultants put December inflation at 10.8 per cent.

The Government, which devalued the currency by an average 50 per cent in December, has said that there will be regular devaluation and increases in petrol prices this year. Plans include a sharp reduction in the public sector deficit, more cautious wage and credit policies, an increase in interest rates and in income and sales taxes.

The General Labour Federation has announced plans for a protest strike in February.

At the same time the inevitable lack of liquidity is bringing the uncontrolled growth of the past two years to an end as the Government, which has run out of international reserves, cuts back imports.

Economists say that gross domestic product is unlikely to grow and may fall by one or two percentage points this year. Growth in 1987 was around 7 per cent, compared with 8.9 per cent the previous year.

Presidential hopefuls get federal funds

TWELVE presidential hopefuls can celebrate the 11th day of Christmas on Monday as they receive the first wave of federal matching funds from the US Treasury, AP reports

Vice President George Bush will be getting the biggest haul as the Treasury dishes out a total of $25.6m. Later in the week, $3.1m more in cheques will be distributed.

Mr Bush, a Republican, would have received $4.8m yesterday and will get $800,000 later.

Only Mr Jesse Jackson, a Democrat, has not qualified for matching funds, but that is expected to change when his campaign files new documentation.

Candidates need to raise at least $5,000 in individual contributions of $250 or less in at least 20 states to be eligible.

Team checks progress to Central American peace

BY PETER FORD IN MANAGUA

AN INTERNATIONAL diplomatic team began a tour of Central America yesterday to check how fully five countries there have complied with the peace plan for the area.

They will report to the region's five presidents, who are due to hold a summit in Costa Rica on January 15, to review progress and agree on further action to bring peace to Central America.

The International Verification and Follow-up Commission (CIVS), created by the peace plan, will be measuring each country's steps towards the pact's key goal – ceasefires, amnesties, democratisation, a halt to outside aid to rebel forces, and an end to the use of Central American territory by such rebels.

The CIVS comprises senior officials from the five Central American countries themselves, eight Latin American nations promoting regional peace, the UN and the Organisation of American States.

Though the peace plan, signed last August, envisaged full compliance by this month, it has fallen short of initial hopes. Fighting continues in El Salvador, Guatemala and Nicaragua, and the warring parties have made no progress yet towards ceasefires.

The Nicaraguan Contras are still receiving US aid and using Honduran territory, and until that stops, the Sandinista Government in Managua is refusing to offer a full amnesty to political prisoners, or to allow full democratic freedoms.

In its six-day trip through the region, the CIVS is expected to concentrate on the plan's political aspects, and will not have time to seek out Contra bases in Honduras, for example.

The Commission, which will be gathering information from both official and opposition sources, hopes to instal inspection groups in each capital.

WORLD TRADE NEWS

Japan cool on plan to reform farm trade

BY WILLIAM DULLFORCE IN GENEVA

JAPAN HAS come out with only lukewarm support for negotiations and plans for the reform of world trade in agriculture.

In a plan submitted to the General Agreement on Tariffs and Trade, Japan's suggestions fall short of the US proposal for elimination of all farm subsidies over 10 years and are likely to cause continuing friction with the US and other agricultural exporters wanting liberalisation of Japanese meat, rice and citrus markets.

The plan was submitted to Gatt on December 26.

Thrashed out by the new administration of Mr Noboru Takeshita against strong resistance from the farmers' lobby, Tokyo's scheme would permit only a cautious dismantling of domestic farm subsidies.

In its nine-page paper, Japan accepts that market forces must be allowed to function more effectively in agriculture and agrees with earlier proposals by the US and the 13-nation Cairns group that the phasing out of export subsidies is an "essential premise" of farm trade reform.

The US and the European Community are each spending some $26bn a year in export subsidies. But, unlike the US, the Community rejects the idea that all such subsidies can be abolished and insists it must retain its dual pricing system, under which prices paid to its farmers are higher than its export prices.

In the proposal it has now tabled to the group negotiating farm trade reform in Gatt's Uruguay round, Japan strongly emphasises the interests of importing nations.

Gatt rules covering import access and export competition must be strengthened, the Japanese agree, but the balance of rights and obligations between exporting and importing countries should be preserved.

Tokyo follows the Cairns countries in calling for a freeze on export subsidies as an initial step. The subsidies would then be phased out over a period to be negotiated.

The Japanese proposal differs sharply from others in drawing a distinction between domestic and export subsidies.

Domestic subsidies contribute to multifaceted national policy objectives including preservation of the environment and regional development, Japan argues.

These government subsidies should come under Gatt rules to reduce their trade-distorting effects but exemptions should be allowed for subsidies aimed at improving agricultural infrastructure, at encouraging farmers to switch from crops producing surpluses, and at promoting social welfare, research and development.

Where government subsidies go to products in structural surplus and the surplus is exported, either the subsidies should be cut or the areas under cultivation rolled back to their 1980 levels, the Japanese propose.

Across-the-board reductions in customs tariffs are unsuitable for farm trade where the need for protection varies greatly from one product to another, they say. Under realistic negotiations, tariffs would be cut through "request and offer" bargaining between states.

Japan accepts in principle that quantitative import restrictions need to be eliminated. But it wants consideration to be given to existing trading practices.

Turkey and Iran to start final talks on pipeline

A DELEGATION of Iranian technical experts is to arrive in Ankara on Monday to start final negotiations for a pipeline which would pump Iranian crude oil through Turkey, **Reuter reports.**

Mr Nezihi Berkam, general manager of Turkey's pipeline company BOTAS, said that at this round "we expect to reach a final decision on whether to build a Turco-Iranian pipeline or not."

The talks were expected to last about two weeks, he said.

Mr Berkam said the latest pipeline project under consideration would bring crude from the Ahwaz oilfields in south-western Iran to a Mediterranean terminal in Turkey, a distance of about 900 miles.

Tony Walker reports on Cairo's military production priorities and its links with foreign companies

Gulf war puts Egyptian arms industry on alert

"EVERYBODY IS trying to sell new equipment," said General Gamal el Sayed, Minister of State for Military Production. "We're trying to sell modified existing equipment, especially in the Third World."

The Gulf war and Egypt's own more pressing defence needs as an Arab counterweight to an expansionist Iran have given a boost to its military industries and opened up new export possibilities.

A defence equipment exhibition held in Cairo in November was timely because it enabled Egypt to display its wares at a moment when states in the region are increasingly worried about the Iranian threat. Fourteen Arab states sent delegations, some headed by defence ministers.

Interviews with the officials in charge of military production, heads of government arms factories, defence attaches and representatives of foreign companies seeking to supply Egypt with equipment, indicate that its main priorities are to:

- Improve and upgrade its electronic air and ground defence systems.
- Expand its fledgling electronic industries to enable the manufacture of more sophisticated items and increase possibilities for export.
- Produce a bigger range of spares for its US-supplied equipment.
- Assemble a frontline battle tank, including the manufacture of some components.
- Acquire the technology to re-equip Soviet T-54, T-55 and T-62 tanks, aircraft and missiles.
- Build an intermediate range battlefield missile.

Egypt is increasingly pressing foreign companies to assist it in manufacturing items suitable for its own military and for re-export. Some companies, such as Plessey Electronics of the UK, have indicated their willingness to assist in Egypt's defence sales drive.

Egypt has also secured an important commitment from the US to help finance defence production. An initial $40m ($21.9m) was allocated in the fiscal 1988 military assistance programme for this purpose. Egyptian and US representatives met in October to discuss ways in which the money might be spent.

Mr Richard Armitage, US Assistant Secretary of Defence for International Security Affairs, on a visit to Egypt in April for a meeting of the US-Egyptian military co-operation committee, signalled US willingness to provide more direct financial assistance for local defence industries.

Egypt has initiated a study of areas of possible co-operation with US defence industry. It has commissioned BDM, a Virginia-based consultancy, to advise on items that could be manufactured locally under licensing or offset arrangements.

Gen el-Sayed said the US company had been asked by Egypt's Ministry of Defence to "localise components that can be manufactured in Egypt, to get specifications and engine drawings." The minister said spare parts for existing US-supplied equipment were costing billions. Egypt was anxious to reduce these costs by manufacturing locally where possible.

A study of US military aid for fiscal 1987 explains Egypt's concern about the high cost of maintaining its sophisticated US-supplied equipment, such as 80 F-16 fighter-bombers. Of the $1.5bn disbursed in the year to September 30, about $1bn went in "follow on" support.

Major Third World Weapon Exporting Countries 1981-5 *

Country	Value of total exports of major weapons ($m)	Export value excluding re-exports ($m)	Domestically-produced share of total exports(%)
Israel	680	617	91
Brazil	506	501	99
Egypt	375	17	5
South Korea	143	138	97
Singapore	79	33	42
South Africa	36	36	100
Indonesia	28	28	100
Argentina	17	17	100
Others	570	6	1
Total	2,434	1,393	57

* At constant 1975 prices

This included training, maintenance and spares. Egypt's most ambitious new project is the construction and equipping of Factory 200 on the outskirts of Cairo to start assembling by the early 1990s the General Dynamics Land System's M1A1 Abrams battle tank.

Egypt is making a big investment in the new factory which will also be used to service its existing armored divisions of US-supplied M-60 tanks.

The US has tentatively allocated $164m in fiscal 1989 to assist in equipping Factory 200 and providing technical training. Assembly of the M1A1 Abrams tanks would be a large undertaking for Egypt's defence industries.

One of Egypt's big preoccupations is prolonging the life of existing Soviet-supplied equipment and, where possible, improving it. About half its military equipment was provided by the Russians before relations cooled in the early 1970s.

Egypt sees a good market among Arab and African states for refurbished Soviet equipment or for the engineering skills to carry out the task. Gen el-Sayed said that in surrounding countries there were thousands of Soviet T-54 and T-55 tanks suitable for modernisation.

One of the aims of the recent defence exhibition, he said, was to show that Egypt was acquiring the ability in joint ventures and licensing deals to rebuild older-style Soviet tanks, which he said had a "beautifully strong silhouette." The minister indicated that Teledyne of the US would be awarded the contract on the basis of a "strong and powerful modification" of a T-54, to refurbish an as yet unspecified number of the Soviet-supplied tanks. Refurbishment includes installation of new motors, fire control systems and an improved gun.

Gen el-Sayed said another important aim of the recent defence exhibition was to inform prospective Third World clients that Egypt was anxious to work with them and match their requirements. One of Egypt's difficulties in selling defence equipment, however, is lack of marketing skills and difficulties in providing finance.

Egyptian officials admit this is a shortcoming in the highly competitive arms trade. They say that a programme to finance arms sales is being studied. Egypt's defence industry has also been seeking assistance in marketing its products.

Plessey, for example, is offering to help market Egyptian-assembled ground-to-ground radar jammers to third countries as part of an inducement to win a contract to supply these devices which are in demand throughout the Middle East. Plessey would be likely to make a similar marketing assistance offer for the ground-to-air jammers which it is also trying to sell to the Egyptians.

The British company might extend this offer to other Plessey products being made under licence at factory 144 at Benha, north of Cairo such as PTR 1410e tank and PTR 349 squad radios. The electronics factory is also assembling the Westinghouse AN/TPS 63 "gap filler" radar to help bolster Egypt's elecronic air defence system which is regarded as something of a weakness.

Further development of Egypt's electronic sector is seen as offering one of the best means of expanding defence sales, which are presently restricted to small arms and ammunition. Senior Egyptian officials are reticent about the value of arms exports, mostly to Iraq, but these sales are reckoned to total between $300m and $500m annually.

The Stockholm Peace and Research Institute in its annual yearbook, warns of one of the problems facing all Third World arms producers - and Egypt is no exception. "Production of major weapons is running into a structural dilemma in most Third World countries," Sipri said. "There is – except in India – too little domestic demand for what can be efficiently produced and – except in Israel – the high-technology weapons in demand by the domestic armed forces cannot be produced."

Sipri figures show that between 1981 and 1985 Israel, Brazil and Egypt led the table of Third World weapon exporting countries. But Egypt's exports were dominated by the Soviet-supplied equipment such as armoured vehicles and field pieces re-exported to Iraq. Egypt's domestically produced share of total weapon exports was only 5 per cent compared with 91 per cent in Israel's case and 99 per cent for Brazil.

Gen el-Sayed, who is responsible for more than one dozen industries employing about 50,000 workers, is proud of achievements. Production, he says, has increased by 250 per cent in eight years while the labour force has swelled by only 12 per cent.

He recognises, however, that Egypt needs to sell equipment in a highly competitive international market to generate funds for new investment. "We need to sell to third countries," he said, "because the requirement for new investment in defence industries is very high...If you don't develop you don't sell even to your own army."

Nigeria pressed on trade debts

BY PETER MONTAGNON, WORLD TRADE EDITOR

A GROUP of Nigeria's creditors is seeking support for a move to reject plans to reschedule some $3.25bn in uninsured trade credits, and have the government of President Ibrahim Babangida declared formally in default on its international obligations.

The group of mainly Hongkong-based creditors has formed a company called Confidential Recoveries to press other creditors to drop the rescheduling and sue for recovery of their claims.

But, with less than 10 days to go before creditors are due to vote on the rescheduling proposal at the Wembley conference centre, there is little sign it will be successful in obtaining the required support.

Under the terms of the debt, the group would have to represent 25 per cent of the debt outstanding to initiate a default action.

Despite widespread dissatisfaction with the planned rescheduling, bankers and businessmen familiar with Nigeria say creditors have little appetite for concerted opposition.

Apart from the relatively low-profile Confidential Recoveries move, there has been little contact between individual creditors.

A main focus of their concern has been the Nigerian decision to disown claims worth some $2bn which are excluded from the rescheduling.

But creditor resentment is increasingly directed trowards industrial-country governments which are accused of ignoring uninsured creditors while making their own arrangements to reschedule official debts through the Paris Club.

The lack of co-ordination among uninsured creditors means the outcome of the London meeting on Thursday of next week remains highly uncertain.

The key will be the reaction of a handful of large companies which hold the bulk of the 13,000 individual claims.

Bhutan buys its first jet from BAe

By John Elliott in New Delhi

THE Himalayan kingdom of Bhutan has bought its first jet airliner, a BAe 146-100 with 50-70 seats plus cargo space, from British Aerospace for about $20m (£11m).

The aircraft will be operated by Druk Air, Bhutan's six-year-old airline, from the country's remote airfield at Paro. British Aerospace's contract covers support services and training.

Initially, the aircraft will help improve links with India and Nepal. Later, there are plans for flights to Bangkok.

Norwegian group wins Swedish bridge order

BY KAREN FOSSLI IN OSLO

SELMER-FURUHOLMEN Construction (SFA), the Norwegian civil engineering and construction company, has been awarded a SKr115m (£10.6m) contract to build a 1,380m bridge in the northern Swedish city of Umeaa.

The contract is a breakthrough in the Swedish market for SFA, which will co-operate with the Swedish company Hallstroem and Nisses, in the job.

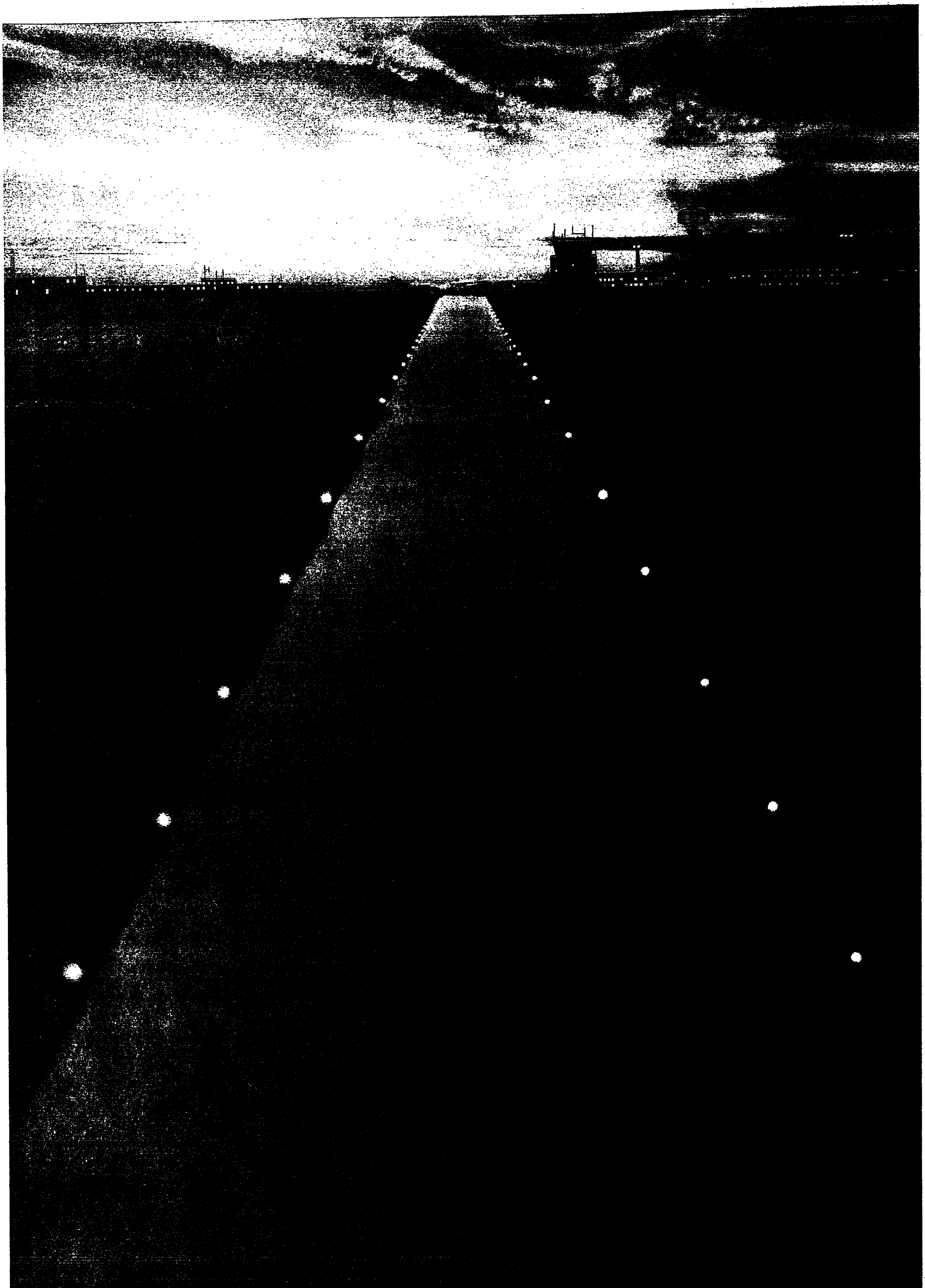
Construction of the bridge is scheduled for completion in October 1989. SFA has received 75 per cent of the contract and Hallstroem and Nisses the balance.

Mr Steinar Nilsen, a director of SFA, said special scaffolding would be required in the construction of 21 66m spans for the bridge.

SFA is building an oil terminal for Norsk Hydro on the west coast of Norway.

Mr Nilsen said that although the Norwegian market for engineering and construction was quiet on the "industry side", cummunication business would see the need for several bridges in Norway this year.

In 1987, SFA had a turnover of NKr1.8bn and "satisfactory profits".



Police called to eject ex-GRE tax accountant

BY NICK BUNKER

GUARDIAN Royal Exchange, the insurance group, yesterday called in police to eject its former chief tax accountant from what had been his offices in their main tax department in Ipswich, near Britain's south-east coast.

Mr Charles Robertson said last night that he had re-entered his office yesterday morning in protest at the GRE's refusal to reinstate him following an industrial tribunal decision in his favour on November 27.

Mr Robertson said he was suspended from duties by GRE on March 15 last year, and subsequently dismissed on grounds of alleged gross misconduct.

The tribunal hearings last year, which were held in Bury St Edmunds, received only local publicity at the time.

Mr Robertson threatened last night to sue the GRE after their refusal to follow the tribunal's recommendation that he should be reinstated.

Until May 31 last year, when he was dismissed, Mr Robertson was GRE's group chief accountant (taxation), one of the group's most senior tax officials.

Mr Robertson, who is 49, had worked for GRE for more than 14 years. He was a member of the taxation panel of the Association of British Insurers (ABI), the insurance company market's principal trade body.

Mr Michael Auld, GRE's head of information, confirmed yesterday that GRE had sacked Mr Robertson, but declined to discuss details of the grounds for doing so because he said GRE was appealing against the industrial tribunal decision.

He said there had been "an irretrievable breakdown" in the relationship between Mr Robertson and his chiefs.

Guardian Royal Exchange is one of the UK's five big stock exchange-quoted composite insurance companies. It had net non-life premium income in 1986 of £1.52bn, and net life assurance premiums of £404.1m. Before joining it in 1972, Mr Robertson worked for Victory, the London reinsurance company.

UniChem prepares for stock exchange listing

BY DAVID WALLER

UNICHEM, the independent pharmaceutical wholesaler owned by retail chemists, is planning to shed its status as a friendly society and seek a full listing on the London Stock Exchange in 1990.

The flotation – which should give UniChem a market capitalisation of about £100m – is being delayed until then to allow the wholesaler to operate an intricate share scheme designed to wrest business from its major competitors.

Under the scheme, customers will be entitled to apply for new shares at a substantial discount to the expected offer price in 1990. The right to subscribe for these shares is tied to the level of spend with UniChem.

"The arrangement is essentially a marketing device," Mr Peter Dodd, UniChem's chief executive, said yesterday. "And by stimulating our business it will have the effect of enhancing the value of the shares in 1990."

It is open to all the 10,000 independent UK pharmacists, including UniChem's 4,200 shareholders. Quoted chains of chemists such as Boots and Macarthys are excluded.

With sales of £542m in 1987, UniChem has about 22 per cent of the UK wholesale pharmaceuticals market, second only to the quoted AAH Holdings, which owns the Vestric chain of retail chemists and has estimated market share of 28 per cent.

Those chemists using AAH as their principal wholesale supplier are obvious targets for the scheme, which provides that customers spending £7,000 or more each month over three periods between now and May 1990 will become entitled to buy up to 4m new shares at £1 each.

Picture by Glyn Genin

Pithead winding gear dominates the village skyline at Abercynon in the Welsh coalfield

Welsh coal fights to balance the books

BY ANTHONY MORETON, WELSH CORRESPONDENT

THE SOUTH Wales coalfield may be facing further big financial losses, but Mr Ron Price, area director, remains optimistic that its problems are in the process of being solved.

Today, only 13 pits remain, employing just 9,920 men. In its heyday in the early 1920s, the Welsh coal industry employed 271,000. In 1913, its peak output was 56.83m tons and there were 50 pits in the Rhondda Valley alone.

Output in South Wales is now down to 8.1m tonnes and not one pit remains in the Rhondda.

The economic recession after 1979, which saw one of the area's important markets – the steel industry – much reduced, was one cause of the recent decline.

After 1980 the area's losses rose to £100m a year and then, after the year-long miners' strike of 1985 over pit closures, a policy of rationalisation was instituted.

One pit, Bedwas, did not reopen and 14 collieries have since closed with the loss of almost 10,000 jobs.

An indication of the present position was the announcement in Christmas week that an engineering works is to be reappraised since its losses can no longer be supported. If it closes completely, another 274 men will be out of work.

British Coal has sought to staunch the financial losses by introducing new machinery as fast as it can, but it has been defeated by the local geology, which has made it difficult to operate that machinery efficiently.

LOSSES ON deep-mined operations in South Wales are expected to reach £45m-£48m in the 12 months to March 31 unless there is a dramatic transformation of fortunes in the coalfield.

This compares with an estimate last summer of a loss of about £27m, and an actual loss of £41m in 1986-87.

It had originally been hoped that in 1987-88 would at least see break even after investment of £150m – about half of it on new equipment – in the two years since the miners' strike ended.

The poor results have been caused by a number of factors. A rash of stoppages earlier this year cost the coalfield 40,000 tonnes in lost output, worth £2m.

More important, according to British Coal has been the difficult geology of the coalfield. This has prevented it from moving ahead as fast as it would like with the long-wall-retreat form of mining successfully adopted elsewhere in Britain and widely used abroad.

In long-wall-retreat mining, tunnels are created either side of the seam of coal and the cutting done from the back.

"About 15 per cent of our coal was cut from retreating faces last summer and we expect the figure to be up to 38 per cent by March," British Coal said.

Nonetheless, Mr Price claims: "Some of our results have been very good indeed. At Taff Merthyr, in Merthyr, output has gone to more than 6.5 tonnes a man-shift compared with a national average of 4 tonnes.

"In the area as a whole output has been doubled from 1.4 tonnes a shift at the end of the 1985 pit strike to 2.6 tonnes. But this is still a long way behind the national average and, while we have improved by about 5 per cent in the past year, I shall not be satisfied until we are better than the national average."

The corporation has also unveiled a plan to sink a massive mine costing some £90m at Margam which would create 830 jobs and produce 1.2m tonnes of coal a year, all of it replacing imports.

British Coal is locked in a bitter battle with the National Union of Mineworkers, over its demand for flexible working arrangements. It argues that these are necessary to justify the cost of machinery and other investment at the new pits.

Although the South Wales area of the NUM appears willing to accept working over six days, the national executive, and especially its president, Mr Arthur Scargill, will not agree to it under any circumstances.

Mr Price reiterates, bluntly, that "not a sod will be cut at Margam until we have agreement on flexible working. The whole economics of the mine have been worked out on the basis of it and without it the pit cannot go ahead."

As it is, there are increasing economic doubts about the viability of Margam. The pit was costed on the assumption of a sterling-dollar rate of $1.40 to the pound.

Coal is traded internationally in dollars and so a view has to be taken by British Coal on where the exchange rate will be in five years' time, the date when the first coal will come on to the market.

Every cent that the pound rises makes Margam that bit less economic. With a present rate around $1.85 to the pound Margam is still economic but becoming decreasingly so.

At $2 to the pound the economics of Margam would begin to be questionable.

Mr Price will not be drawn on what exchange rate would lead British Coal to abandon the project but if it rose to $2.20 to $2.40 the whole scheme might have to be re-evaluated.

Those problems are for the future, though. The most important at the moment is to get the operating finances under control so that the area produces a profit.

With only five of the remaining 13 pits left making a profit – Taff Merthyr, Trelewis Drift, Oakdale, Bettws and Ceinheidre – Mr Price does not have a lot of leeway with which to play.

He is, however, an optimist and despite his disappointment this year he still believes that South Wales can come good in 1988-89. The alternative is too gloomy to contemplate, he says.

Shares crash clouds pension holidays

BY ERIC SHORT

THE AVERAGE rate of return on pension fund investments failed last year to keep pace with the growth in average earnings.

As a result the many companies which have taken contributions holidays – temporarily halted payments into their funds – face having to resume payments earlier than planned.

Because company pension payments are based on employees' final salaries, the investment return on pension schemes has at least to match the growth in earnings.

The failure to do so is revealed in preliminary findings from Noble Lowndes Investment Performance Monitoring Service.

These show starkly the effect of the stock market crash on pension funds. From 34.7 per cent at the end of September, just before the crash, the average return on their investments, including reinvested income, was down to about 5.2 per cent at the end of the year.

Although that is still above the UK inflation rate, it compares with a 7.6 per cent increase in average earnings over the year.

In the four previous years, pension funds monitored by Noble Lowndes showed average investment returns of 23.8 per cent for 1983, 20.2 per cent for 1984, 16.5 per cent for 1985 and 24.3 per cent for 1986.

The very high returns, far in excess of the growth in national average earnings, were the main reason why so many schemes had been recording very large surpluses and companies taking contribution holidays.

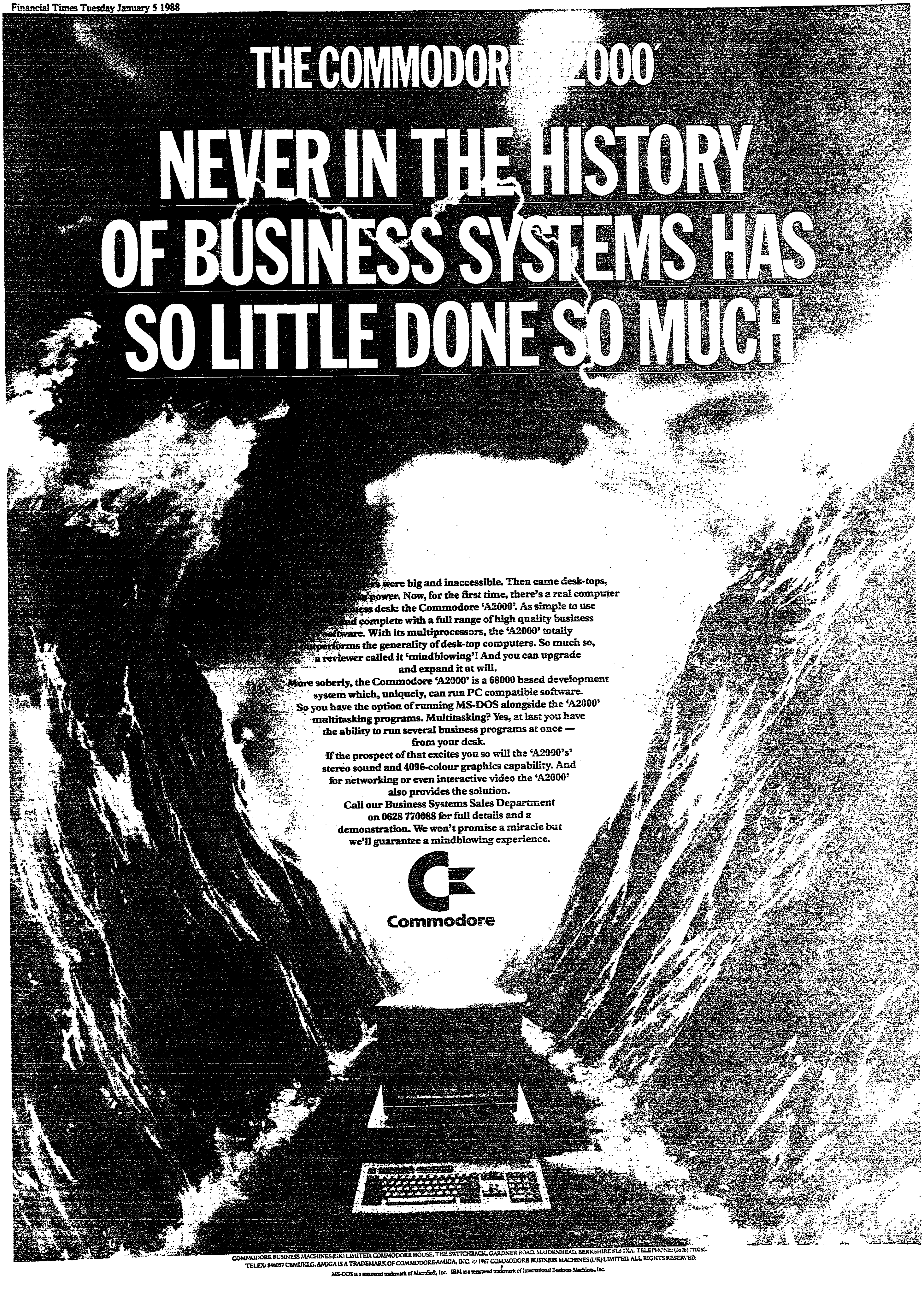
Noble Lowndes estimates that UK equities will still show a positive return over the whole year of 7.8 per cent, offset by a negative 9.4 per cent return on overseas equities – mainly from an 18 per cent drop in US equities.

These figures may well be used by the Labour Party and trade unions to support their contention that overseas investment by UK pension schemes should be severely restricted.

The better returns in 1987 came from the less fashionable property and fixed-interest sectors, which showed growth rates of 13.7 per cent and 16.1 per cent respectively.

Up to the October crash, pension fund investment managers had been reducing the proportions of assets held in these sectors.

However, Mr Phil Cooke, Noble Lowndes investment director, said it was still too soon to say whether there would be a significant change in sentiment towards those sectors by fund managers.


THE COMMODORE 2000
NEVER IN THE HISTORY
OF BUSINESS SYSTEMS HAS
SO LITTLE DONE SO MUCH
were big and inaccessible. Then came desk-tops,
power. Now, for the first time, there's a real computer
desk: the Commodore 'A2000'. As simple to use
complete with a full range of high quality business
software. With its multiprocessors, the 'A2000' totally
the generality of desk-top computers. So much so,
a reviewer called it 'mindblowing'! And you can upgrade
and expand it at will.
More soberly, the Commodore 'A2000' is a 68000 based development
system which, uniquely, can run PC compatible software.
So you have the option of running MS-DOS alongside the 'A2000'
multitasking programs. Multitasking? Yes, at last you have
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Armstrong criticised over Westland and Wright

BY JOHN HUNT

THERE WAS criticism last night of the role played by Sir Robert Armstrong as Cabinet Secretary in the handling of the Westland and Spycatcher affairs. It was made in Newsnight, the BBC television programme, on the day that Sir Robin Butler became the new Cabinet Secretary.

Sir Robert has retired and has received a life peerage in the New Year's honours list.

The criticisms were made by Mr Edward Heath, former Conservative Prime Minister, and Sir Kenneth Clucas, who was Permanent Secretary to the Department of Trade from 1979 to 1982.

Lord Havers, the former Lord Chancellor who was Attorney General at the start of the Spycatcher affair, also appeared on the programme.

He said he did not see that using Sir Robert as a witness in the court case in Sydney had been a misuse of the Civil Service. But he added: "It seemed to me he was the natural fall guy, the one who knew the most."

Mr Heath, referring to Westland, thought the office of Cabinet Secretary had been misused. He said that it had not been Sir Robert's job to give evidence to the select committee on the matter. Instead, it was the departmental civil servants who had been involved who should have appeared before the committee.

Mr Heath said that he would never have dreamt of asking his Cabinet Secretary, Sir Burke Trend (later Lord Trend), to give evidence in that way or to handle the case in the way Sir Robert was asked to.

Sir Kenneth said that putting the Cabinet Secretary in court to face cross-examination over Mr Peter Wright's book, Spycatcher, was bound to have damaged the concept of the Civil Service.

In February a further hearing he thought Sir Robert had been placed in a difficult position over Westland. "But whether he should have embarked on an inquiry to which he knew the answer before he started is one point that some people might question."

Alan Harper

Sir Robin Butler: new Cabinet Secretary

Thatcher says north of England 'thriving'

By John Hunt

A COUNTER-ATTACK against critics who blame the Government for the north-south divide in England was launched by Mrs Margaret Thatcher, in an interview published yesterday.

She said the issue was grossly oversimplified. "Everything that once made the north a prosperous part of our country is still there. Our task is to bring that enterprise out."

Her statement coincides with a drive for the renewal of the inner cities under Mr Kenneth Clarke, Chancellor of the Duchy of Lancaster and minister responsible for co-ordination of inner city policy.

He has made clear, however, that no new public money would be available on top of the existing £2bn inner-city budget.

He will shortly be drawing up a white paper outlining the Government's plans.

Mrs Thatcher's remarks came in a further interview with the Press Association to mark her anniversary as the longest-serving Prime Minister of Britain this century.

She also emphasised her faith that the EC would achieve its goal of creating a completely free internal market by 1992 – a year that might see a general election.

On nuclear disarmament she took a cautious line and emphasised that the West must not drop its defences.

She said that difficulties in inner cities such as London were as great as in the north-east.

"I think the north-west and the Midlands are making a great revival. I notice that people who go to look at the north and north-east go up thinking there are dark satanic mills and that it is all grey and unwelcome."

But they came back realising that the "countryside is fabulous, the people marvellous, there are thriving industries and shopping centres."

"Yet people have in their minds all this talk about a north-south divide until they go there and find a really thriving society with terrific character."

Internationally, she said she would like to see security between nations at a lower level of weaponry. But liberty had to be defended and new weapons took a long time to develop. "You have to watch that you never place your security in jeopardy."

The year 1992 would be very significant for Europe. By that time, the Channel tunnel would be complete.

"And we should, by that time, have a genuine Common Market without trading barriers either in goods or services."

Drive against Militant renewed

BY JOHN HUNT

THE LABOUR PARTY campaign to expel members of Militant from its membership will be renewed this weekend when disciplinary hearings take place against three former officials of the Knowsley North constituency party, who are alleged to be supporters of the Trotskyist organisation.

The hearings, on Saturday and Sunday, will be held by the party's National Constitutional Committee. If the case is proved against the three men, they will be expelled from the party.

The three are Mr Jim McGinley, former chairman of the constituency party, Mr Alan Kelly, former vice chairman, and Mr David Kern, who was press secretary of the local party.

In February a further hearing will take place of the case against another 11 party members of Knowsley North.

The allegations against the members stem from the row in the local party when Mr Robert Kilroy-Silk, who held the constituency for Labour, resigned and protested against infiltration of the local party by Militant.

The editorial board of the Militant newspaper was expelled after a decision of the annual Labour Party Conference in 1983. It was also decided that membership of Militant is incompatible with membership of the Labour Party.

Meanwhile Militant is calling for "mass resistance" by Labour local authorities to the Government's proposed community charge, the so-called poll tax. The call came from Mr Peter Taaffe, editor of Militant, and Mr Tony Mulhearn, the surcharged Liverpool councillor, who have written a book, Liverpool, the City that Dared to Fight.

They criticise the Labour leadership for advising that illegality is discredited and for advocating a "dented shield" approach. In contrast, the two authors advocate "the methods of struggle followed by Liverpool City Council."

Richard Evans on local councils' community charge worries

Town hall nightmares over poll tax

MANOEUVRING the community charge legislation through parliament might prove only the start of the Government's problems with the controversial poll tax. It will present local authorities with horrendous difficulties and there are already mutterings of rebellion from the town halls.

Ministers admit that the tax will be complex and expensive to operate, requiring substantial investment in computers, software and extra staff. The latest estimate is that local government will have to spend between £160m and £200m to launch the tax by April 1990.

There are signs that lack of resources, knowhow and of political support for what many local authorities regard as a bad tax, might lead to a running conflict with the Government well after the legislation reaches the statute book by next autumn.

In England and Wales, 16m people pay domestic rates but the community charge will apply to 37m. Each local authority will have to build a database covering everyone over 18 liable for the tax – twice as big as anything needed before. It will mean the virtual overhaul of every local authority's computer set-up and many of the harder-pressed councils believe it will simply not be possible to complete because of cost and time.

At the very least, councils will have to add extra storage capacity to their central computers; more probably they will have to upgrade their systems completely.

Inner London boroughs will face additional tasks in that they will have to phase the community charge in over four years. That means that two systems, one for the charge and one for rates, will have to run side by side, with the existing property-based domestic rates system running in tandem with the poll tax based on individuals. To make matters more complex, the relationship between the two will vary from year to year as rates are phased out.

Environment Department ministers and officials are aware of the potential obstacles. Sir Terence Heiser, permanent secretary, and inner London chief executives have discussed ways of avoiding administrative breakdowns.

The DoE is anxious about the capacity of some boroughs, particularly Lambeth, Hackney and Southwark, to absorb the unprecedented volume of recent and current legislation affecting their finances and services.

In particular, there is concern that some boroughs will not be sufficiently prepared to collect the poll tax effectively. That might lead to a disastrous fall in revenue and a consequent effect on services.

Departmental estimates that the poll tax can be introduced without extra resources from central government are described as "a recipe for disaster" by one inner London treasurer. Another estimates that collecting both rates and poll tax during the four-year transitional period will cost an additional £3m a year and require hundreds of extra staff.

Mr Dave Morgan, deputy leader of Lambeth Council and chairman of its finance committee, forecasts "administrative and financial chaos from the word go." His estimate is that Lambeth, a hard-pressed, rate-capped borough, will need at least 250 extra staff during the transition.

Dave Morgan: predicts chaos from the word go

"But we really don't know how many staff we will need to take on, what skills and training they will need or what hardware to buy," he says, "because we are not convinced that the legislation will go through unchanged." Yet preparations have to start in the new year because of the short time scale.

The biggest change would be for council tenants, whose rates and rents are collected from heads of households in one operation at present. Under the proposed system, rates would continue but every adult would be subject to poll tax. "The additional staffing will be horrendously expensive," says Mr Morgan.

It would be important to avoid a build-up of arrears from monthly payments, yet relatively few council tenants have bank accounts to allow payment by standing order. Lambeth estimates it would need an extra 15 to 20 cashiers to collect the money on a weekly basis.

Mr Morgan also forecasts a heavy failure to register in a borough such as Lambeth with a high transient population and many multi-occupancy buildings.

But Mr Christopher Chope, a local government minister at the Environment Department, claims the Government's opponents have greatly exaggerated the difficulties of compiling the register and collecting the community charge. "Not only is it misleading to suggest that local authorities will not be able to cope; it is also a slur on the ability of those who work in local government," he says.

In his view it is not so much a matter of how authorities can obtain information, but of how they can best collate the information they already have on file from numerous contacts with individuals.

Mr Chope's advice is for local authorities to embrace new technology and encourage payment by direct debit in order to reduce unit costs. "The local authority which relies on Dickensian office methods will inevitably need more staff," he says. "Local councillors should be wary of trumped-up bills for large numbers of extra staff."

But Mr Morgan raises one alarming possibility – that if a council fails to compile a community charge register by April 1990, there will be little the Government can do about it. It will be impossible to collect the tax. "I am sure there are going to be discussions about non-compliance with the legislation," he warns.

BBC likely to report on itself annually

BY RAYMOND SNODDY

THE BBC seems certain in future to make an on-screen report to its licence payers an annual event after what is being seen in the corporation as the success of Sunday night's three-hour profile and phone-in.

The actual length and nature of future programmes will be decided after a detailed assessment of the audience response to See For Yourself and the four-long special edition of Open Air featuring Mr Marmaduke Hussey, the BBC chairman, and Mr Michael Checkland, the corporation's director-general.

Yesterday, Mr Checkland said in a phone-in carried on all BBC local radio stations that it was very good and very necessary for BBC executives to face probing questions from viewers and listeners. He pledged that the corporation would do something next year, although not necessarily of the same length.

The report to BBC shareholders on air was backed up by a booklet distributed in all copies of the Radio Times and The Listener.

There were early indications yesterday that Sunday's Open Air programme in which the chairman, referred to throughout as "Dukie" by "Mike", his director-general, may have attracted a sizable audience and held up surprisingly well against the rival commercial television.

More than 1,000 calls were received from viewers and 10 lines were continually busy from 1pm onwards.

In Sunday's Open Air programme Mr Hussey gave a robust defence of the corporation when faced with the accusation by a viewer in the Orkneys that the independence of the BBC had been compromised by the injunctions obtained by the Government.

Mr Hussey described the injunctions against the radio series on the secret service – My Country Right Or Wrong – as "perfectly monstrous."

"I do think it is very serious indeed the way this Government is continually resorting to the courts to try to make their point," Mr Hussey said.

Apart from the independence of the BBC and references to managerial tensions during a period of change, an important preoccupation of viewers was what many saw as the extravagant salaries paid to certain BBC presenters.

Mr Clive James is joining the BBC from ITV for a package believed to be worth £350,000 annually. Mr Terry Wogan is understood already to be earning such an amount, although names were not mentioned during the discussions.

During yesterday's radio discussion with regional newspaper editors, Mr Checkland said average salaries of BBC presenters were in the £30,000-£35,000 range and on Sunday both Mr Checkland and Mr Hussey defended the need to pay the market rate for a small number of "stars".

● Miss Debbie Thrower, the 29-year-old co-presenter of the Nine O'Clock News, has decided to leave the programme after three months and is to present the Hospital Watch programme. The BBC said yesterday that Miss Thrower's departure was "entirely her own decision."

Liberals advertise backing for merger

BY JOHN HUNT

A CROSS-SECTION of Liberals who favour a merger with the Social Democratic Party have taken out a full-page advertisement in Liberal News this week to rally support for their cause at the party's special assembly in Blackpool on January 23.

The advertisement calls for a ballot of all Liberals on the question under the slogan "Let the members decide." It wants them to back a speedy merger with the SDP and is intended as a demonstration of support from the grass roots of the party as well as from leading personalities.

Last night Mr Ian Powney, a Liberal candidate and an organiser of Merger Now, attacked those opposed to the proposals.

"Those party chauvinists who are trying to pick holes in what has been agreed are not typical and speak only for themselves," he said.

But further vigorous arguments over the terms of the new Alliance will take place among Liberals when their joint negotiations with the Social Democrats resume today.

Mr Michael Meadowcroft, the former Liberal MP, who is opposed to merger on the present terms, will put his case strongly at a meeting of Liberal negotiators that will precede the joint meeting.

He will argue against the use of the name New Liberal and Social Democratic Party, to be known as The Alliance, and against writing a commitment to Nato into its constitution.

"The package we have currently will not unite the party," he said last night.

The advertisement in the party newspaper is signed by 650 Liberals including parliamentary candidates, councillors, peers, office-holders and hundreds of constituency officers.

Signatories include Lady Seear, leader of the Liberal peers, and Lord Grimond, former leader of the party.

Mr Tom McNally, a leading member of the SDP negotiating team, said Social Democrats across the country would be greatly encouraged by this display of Liberal support for merger. "A yawning gap still exists in British politics to be occupied by a credible third force," he said. "If we fall now the fault will be entirely ours."

Mr Powney acknowledged that there was a feeling that the name of the new party could be improved. But otherwise there was a widespread belief that the negotiators had done a good job.

They deserved full support for creating the basis, subject to fine tuning, of a united new party based on the will of its members.

Advisers 'to stay independent'

BY ERIC SHORT

MOST INDEPENDENT financial advisers providing life, pensions and unit trust services expect to become authorised under the 1986 Financial Services Act and stay independent.

A survey carried out by Imag (Independent Market Assistance Group) among 36,000 agents operating as independent intermediaries shows that 86 per cent plan to remain independent.

Under the financial services legislation, intermediaries in the life, pensions and unit trust field must either be completely independent or be representatives of just one company - the so-called polarisation requirement.

Because of the financial and administrative requirements of authorisation, it was believed that many independent intermediaries would become company representatives simply to avoid such decisions.

Certain life companies have been encouraging intermediaries to become their representatives.

To counter that trend, other life companies and unit trust groups established Imag. They did so with a view to ensuring that there would be a thriving independent intermediary market once the act comes into effect in April.

The survey appears to indicate that the various campaigns aimed at ensuring this are being successful.

Mr Richard Cockcroft, chairman of Imag, said that, on the basis of this survey, it appeared that the independent intermediary market would remain substantially intact.

The survey also showed that very few intermediaries were unaware of the requirements of the Financial Services Act.

Nearly 70 per cent of those surveyed had either become members of the appropriate self-regulating organisation, Fimbra, (Financial Intermediaries Managers and Brokers Regulatory Association) or had submitted their applications.

The main difficulty facing the remainder was the complexity of the application forms from Fimbra – in particular the definitions of the various categories of business, and determining which category applies to a particular business.

Strong demand fuels prices of businesses

By Paul Cheeseright, Property Correspondent

STRONG DEMAND for independent businesses in the services sector has led to sharply rising prices, in some cases even more in percentage terms than those for houses, according to an analysis published yesterday by Christie and Co, the business agent.

While house prices last year rose by about 25 per cent, hotel prices on average rose 40 per cent on the basis of Christie figures. The price of stores increased 38 per cent, restaurant and wine bar prices climbed 31 per cent, rest and nursing homes rose more than 20 per cent, pubs went up nearly 20 per cent and sub-post offices by 11 per cent.

The figures are derived from transactions undertaken by Christie throughout the country. All show a marked percentage increase on the transactions recorded in 1986.

Mr John Howard, managing director, noted that the stock market collapse had no effect on the level of independent business confidence. Buyers of businesses still had access to substantial loans and trading performance had not been affected.

Christie attributed the strength of the market for businesses under £200,000, at least in part, to first-time buyers who sold houses in the high-value areas of the south-east and reinvested the proceeds in the provinces.

BA goes vegetarian

BRITISH AIRWAYS is one of only six airlines to cater adequately for vegetarians, according to Executive Travel. Other airlines serve limp vegetables, cold beans and even liver pate.

Management shake-up at Associated British Ports

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

ASSOCIATED British Ports, which controls 19 ports and handles a quarter of UK seaborne trade, yesterday announced a series of management appointments to follow the retirement of Mr John Williams, the managing director, in March.

The company said Mr Stuart Bradley, assistant managing director (resources), would become managing director and would be appointed to the board of Associated British Ports Holdings, the parent company.

Mr Bradley, who is qualified as a master mariner, has held several senior posts within ABP and is vice chairman of the National Association of Port Employers, the industry's trade association.

Mr Martin Pudden, assistant managing director (commercial), is to be appointed to the new post of deputy managing director. Mr Alastair Channing, director of administration, will become director of resources. Mr Channing will remain company secretary of ABP Holdings.

The management changes do not affect the position of Sir Keith Stuart, who remains executive chairman of both ABP and ABP Holdings.

ABP, formerly the British Transport Docks Board, was sold to the private sector in 1983 as part of the Government's privatisation programme. The group employs about 6,000 workers, of whom a third are registered dock workers.

BT spending £19m to computerise maps

BY DAVID THOMAS

BRITISH TELECOM is spending £19m to transfer its cable-network maps and records from paper to a computer system called digital mapping.

The system when completed after five years is expected to be the world's largest of its kind.

BT expects it to supply savings and benefits through more-accurate records and quicker network surveys when the company is installing new lines.

The system is being installed by Intergraph, the UK subsidiary of a US computer company specialising in high-quality computer graphics.

Intergraph will supply four Digital Equipment Corporation minicomputers and 110 Intergraph work-stations to BT as part of the contract.

BT is working with the Ordnance Survey and other utilities to produce digital maps of the UK.

NEI to extend computer public sign operations

BY NICK GARNETT

NORTHERN ENGINEERING Industries is to extend its operations in the UK related to supplying computer-controlled public signboards.

Yesterday it said its electronics division at Gateshead, Tyne and Wear, would provide software for the signs, together with marketing and installation services.

The operations have been handled by NEI Ferranti Packard, a subsidiary based in Ontario, Canada, which uses a small sales office in Bristol.

Display-board components will continue to be made in Canada. The Gateshead operation will not include any manufacturing.

The boards are used on motorways and at transport terminals and sports grounds. Signs made by NEI in Canada have been used on the M4 and M5 motorways and at Sotheby's auction rooms, London.

Electronic equipment sales 'to rise'

By Raymond Snoddy

SALES OF electronic equipment worldwide are poised to increase in the next 12 months. This will be led by a rapid growth in telecommunications products, according to an industry survey.

BIS Mackintosh, the consultants, say that more than 95 per cent of computer, electronics and telecommunications specialists and managers who responded to their survey believe total sales will increase this year. More than half expect growth in excess of 10 per cent, with a quarter predicting a growth rate of more than 15 per cent.

The survey of about 500 executives in Europe, North America and the Far East was taken before the October stock market crash. However, Mr Bob Whiskin, executive director of BIS Mackintosh, believes the growth in the sector will still be achieved.

Thirty-four per cent of the sample think that telecommunications products will show the fastest sales growth in the next 12 months, with computers and office products in second place.

Optical storage devices, such as videodisks, are seen as the technology that will make the most significant contribution to market development in 1988.

Close to two thirds of the industry executives in the survey see Japanese companies continuing to increase their share of world markets at the expense of both US and European companies.

BIS Mackintosh Electronics Industry Survey, BIS Mackintosh, Mackintosh House, Napier Road, Luton LU1 1RG.

SE to move support services to City fringes

BY PAUL CHEESERIGHT

THE STOCK EXCHANGE is to move parts of its information and settlement services divisions to a new building on the northern fringe of the City of London.

It is taking a 25-year lease at £2.5m a year on the Randsworth Centre, two adjoining buildings in Wilson Street, under development by Randsworth Trust, one of the highest-flying property companies until the market collapse last October.

The rent equates to £47.50 a square foot for the building, which has office space of 58,000 sq ft. The price indicates the continuing strong demand for space in and around the City, in spite of the difficulties of the equity market.

Randsworth had four firm offers to lease the building before selecting the Stock Exchange offer.

Randsworth Trust bought the Wilson Street site for £1.4m in August 1986. The total cost of the development, to the point where the building is handed over to the Stock Exchange for fitting out next September, will be £13m.

Over the last two years the Stock Exchange has met the space demands of rapid expansion by taking short leases on a number of buildings. It is now seeking to move support services out of the high-priced tower block it owns in the centre of the City into accommodation of lower cost and to transfer staff from premises on a short lease to premises on a long lease.

The signing of a lease agreement on the Randsworth Centre brings the number of buildings used by the Stock Exchange to 11.

Building charges gap narrows

By Andrew Taylor

PRICES charged by building contractors in south-east England are continuing to outstrip increases in construction costs in the rest of the UK, but the gap is narrowing, according to figures published by building cost information service of the Royal Institution of Chartered Surveyors.

The figures support the view of leading contractors that the recovery in construction output, which had been largely restricted to the south east, has spread to other regions this year.

By comparison, two of the strongest construction sectors in the south-east, private housing and central London office development, have begun to look a little vulnerable after the stock market crash.

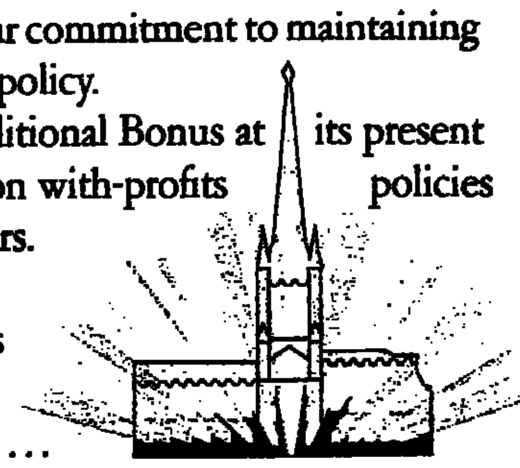
Construction tender prices in the south-east rose by 9.6 per cent in the 12 months to the end of September compared with a 6.9 per cent rise in the rest of the UK excluding the south east.

In October the unit reported that prices in the south east had been rising five times as fast as in the rest of the UK. It defines the south-east as an area enclosed by the counties of Norfolk, Cambridgeshire, Bedfordshire, Buckinghamshire, Oxfordshire, Wiltshire, Avon and Hampshire.

Mr Douglas Robertson director of unit said: "The building industry's recovery from the recession has, in the recent past, been seen to be based in the south-east, but the indications are coming in that order books in the rest of the country are also filling."

Most building analysts are expecting another good year in 1988 for British construction after an expected 7 per cent increase in output last year.

Analysts are forecasting that construction output will rise by between 3 per cent and 5 per cent this year. Forecasters however are more cautious about prospects for 1989 after the stock market crash.



MANAGEMENT: Small Business

Euroventures

Big thinkers for the smaller innovators

Charles Batchelor explains the role of an informal group of senior industrialists in risk funding

SUPER CLUB, a distributor of videocassettes based in Antwerp, Belgium, was keen to break out of the Benelux market into France and West Germany. But if expanding across national frontiers in Europe is difficult for the large corporation it can be daunting for a smaller business such as Super Club.

Money was not a problem for the Antwerp company; it was already quite successful. But what it lacked was contacts and a knowledge of the technicalities of setting up abroad.

Super Club eventually turned to Euroventures Benelux, the local arm of an ambitious pan-European venture capital organisation which has the twin aims of breaking down barriers in Europe and forging closer links between big and small business.

In France, Euroventures' local team helped Super Club establish links with large retailers; advised on the legal problems of setting up a French subsidiary; and helped out with technical advice on protecting Super Club's patents.

Euroventures was set up in 1984 by the European Round Table, an informal group of senior industrialists, with the broader aim of maintaining Europe's position as an independent source of innovation in a world increasingly dominated by the US and Japan.

Round Table members include such names as Umberto Agnelli of FIAT, Wisse Dekker of Philips, Dieter Spethmann of Thyssen and Antony Pilkington of Pilkington Brothers.

Euroventures, which has a small headquarters in Den Bosch in The Netherlands, is not the first attempt to create a pan-European venture capital organisation. Two earlier efforts, European Enterprise Development and Scienta, foundered because of the barriers which still bedevil trade within Europe.

Even Euroventures has been forced to acknowledge the national diversity that still marks the continent. The original plan was for a simple group structure but the legal and tax differences in Europe were partly responsible for Euroventures deciding on a two-tier organisation. There is the Dutch head office and semi-autonomous "satellite funds" dotted around Europe.

In just over two years Euroventures has set up satellite funds in Italy, Benelux, France, Scandinavia, Switzerland and Germany. It is still raising funds in the UK, Ireland and Spain.

Euroventures, which itself is largely funded by the companies headed by Round Table members, usually puts up a third of the capital for the satellite ventures; the Round Table companies individually put up another third and the remainder is raised locally, usually from industrial companies or the pension funds of industrial groups.

The different Euroventures satellites have to date invested $65m in a total of 95 companies, though they have a further $125m available to spend and plan to raise a further $30m this year.

So far so good – but there would be little to distinguish Euroventures from other private and European Community-backed cross-border venture capital initiatives were it not for the corporate backing which the scheme has.

The idea of large corporations helping small innovative companies with finance, advice, and help with technical and marketing problems is well established in the US but has made much less of an impact in Europe.

Corporate venturing, as the technique is known, is carried out by some large European companies – Olivetti, Siemens and Pilkington among them. The concept gives the small company access to resources which would otherwise be beyond its means while the larger corporation plugs into innovative ideas and products which it lacks the time, funds or skills to develop itself. Some corporate venturing deals end in the larger partner taking over the small company.

How does Euroventures put this into practice? A small firm which wanted help would channel its request through its local Euroventures fund. This would pass it on to the organisation's headquarters in Den Bosch which, in turn, would contact the large company with the relevant skills.

This appears cumbersome, but Charles De Lanoy, Euroventures' deputy chief executive, says in practice it amounts to a couple of telephone calls.

He cites the example of a medical equipment company which wanted to carry out further tests on one of its products. One of Euroventures' shareholders carried out the tests and suggested modifications to improve the quality and the durability of the product - even though it competed with parts of its own range.

To be effective contacts between the various partners in the Euroventures organisation have to be close. "We must avoid getting bogged down in the structures of the large corporations," says Albert Kloezen, chief executive.

The large companies appoint a senior executive to co-ordinate all contacts with Euroventures. But Kloezen and his two deputies (all three of them Dutch), who comprise the full-time executive staff of Euroventures, have frequent informal contacts with the Round Table chairmen to discuss the broader trends of innovation and enterprise in Europe.

A major problem an organisation like this faces is establishing a common approach throughout the Continent. Though Euroventures has no veto over the way a satellite fund works, it can terminate the management agreement with the fund if something goes badly wrong - and provided the other shareholders agree.

It did step in in Italy in 1986 when the local fund started making too many high risk seedcorn and early-stage investments – in defiance of the guidelines laid down in Den Bosch. A new managing director was appointed and provisions had to be made to cover possible losses.

Despite its broader aims Euroventures is basically a commercial organisation – with plans for a public listing in a few years' time – out to make a return on its investments, insists Kloezen. It aims for an annual return on its investments, after tax, of 10 percentage points above the local inflation rate. This is a return in line with that sought by a typical venture capital group.

Some outsiders, however, believe they can detect an additional desire on the part of Euroventures to back job-creating initiatives in areas where the big companies have cut back their workforces in recent years.

How successful has Euroventures been? It is too early to say how well it has performed compared with the venture capital industry generally since its investments are too young. Using Euroventures' own rough and ready guide Kloezen says 24 investments are graded as "failure possible", 37 are up to standard and 30 rank above standard.

Euroventures BV, Soetelieve Noord, Bruistensingel 240, 5232 Den Bosch, The Netherlands. Tel 010 31 73 408210.

Government aid shunned

SMALL BUSINESSMEN are very poor at making use of government schemes intended to help them. It had been generally assumed that low uptake could be put down to poor publicity. But a recent study* shows that it may not be the message which is at fault but the source of the message which causes many small business owners to ignore the aid on offer.

The Government and civil servants are seen as unlikely to be offering real help or as surrounding any aid with so much red tape that it will not be worth bothering to take it up, according to the study's author, Professor James Curran of Kingston Polytechnic.

Aid may be more effective if the Government hands over responsibility to local sources, preferably a mix of the local authority, local educational establishments, private industry and the banks, the report suggests. In addition, more help needs to be built into the business environment so that it helps the small business owner automatically rather than require him to go cap in hand for help.

Despite government efforts to relax the employment laws many small businessmen still see them as more draconian than in fact they are. But employment legislation is less of a headache than the problem of finding and keeping the right people. The study concludes that employing others probably has always been a problem in the small firm.

The government pins a lot of hope on small firms creating jobs but the main barrier was that owner-managers believed passionately that small was beautiful. None wanted his or her business to grow to even medium size because they felt they would lose too much of their present, valued way of life.

**Small Firms and their Environments; a report. Small Business Research Unit, Kingston Polytechnic, Surrey KT2 7LB. £10.*

Ethnic communities

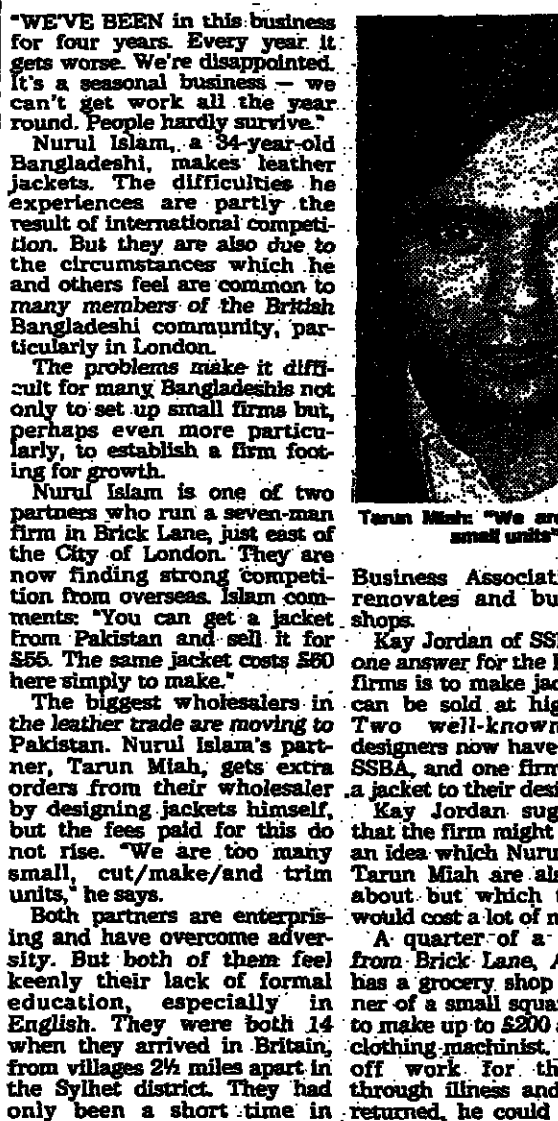
The knowledge barrier

David Sparks reports on some of the problems facing Bangladeshi businesses in London

'WE'VE BEEN in this business for four years. Every year it gets worse. We're disappointed. It's a seasonal business — we can't get work all the year round. People hardly survive.'

Nurul Islam, a 34-year-old Bangladeshi, makes leather jackets. The difficulties he experiences are partly the result of international competition. But they are also due to the circumstances which he and others feel are common to many members of the British Bangladeshi community, particularly in London.

The problems make it difficult for many Bangladeshis not only to set up small firms but, perhaps even more particularly, to establish a firm footing for growth.


Tarun Miah: 'We are too many small units'

Nurul Islam is one of two partners who run a seven-man firm in Brick Lane, just east of the City of London. They are now finding strong competition from overseas. Islam comments: 'You can get a jacket from Pakistan and sell it for £55. The same jacket costs £60 here simply to make.'

The biggest wholesalers in the leather trade are moving to Pakistan. Nurul Islam's partner, Tarun Miah, gets extra orders from their wholesaler by designing jackets himself, but the fees paid for this do not rise. 'We are too many small, cut/make/and trim units,' he says.

Both partners are enterprising and have overcome adversity. But both of them feel keenly their lack of formal education, especially in English. They were both 14 when they arrived in Britain, from villages 2½ miles apart in the Sylhet district. They had only been a short time in school before they began learning to make coats.

They rely on local Bengali accountants to keep their books and taxes straight. What they know about is how to machine leather and cloth. 'Our thinking is to do something else but we're not sure what to do.

'We aren't good at things like selling because we aren't educated enough. Our English is poor. I can't think of sitting down and doing big business.'

They rent their two rooms from the Spitalfields Small Business Association which renovates and builds workshops.

Kay Jordan of SSBA believes one answer for the Bangladeshi firms is to make jackets which can be sold at higher prices. Two well-known fashion designers now have a studio at SSBA, and one firm is making a jacket to their design.

Kay Jordan suggests, too, that the firm might run a shop, an idea which Nurul Islam and Tarun Miah are also thinking about but which they think would cost a lot of money.

A quarter of a mile away from Brick Lane, Anharuddin has a grocery shop at the corner of a small square. He used to make up to £200 a week as a clothing machinist. But he was off work for three years through illness and, when he returned, he could make only £100. This was not enough: apart from his own family of three, he supports ten brothers and sisters.

Though he did not have any money, he managed to buy the lease of the shop with the help of a friend, a cousin and the part-time earnings of a brother.

To learn business management, he went to a course run by Cosmos Charles and Mohammed Ludi at the City Polytechnic's Ethnic Minority Business Development Unit. He got £1,000 working capital from a fund of £18,000 made available to the East London Bangladeshi Enterprise Agency by Kleinwort Benson, a City merchant bank. 'My aim,' he says, 'is to bring up my family with a good education.'

He faces something of a dilemma. City firms are moving their offices into the area - presenting both a threat and an opportunity. The building which houses the shop might be sold for more offices. On the other hand, the office workers could be his customers. He needs to improve the shop to bring them in. Though he would like to borrow money under the Government's loan guarantee scheme he needs, but has not got, his bank's blessing.

While many Bangladeshis experience difficulties in establishing businesses, this situation is not universal. In contrast, Shamsuddin Khan has achieved success in the restaurant trade. In 1955 he was working in a restaurant kitchen. Now he and his partners own six restaurants.

He opened his Clapham High Street restaurant in south west London 30 years ago in what had been an Italian coffee bar, putting in his savings, some money from friends and a £2,000 loan from his bank. His bank has always backed him.

It was the only Indian restaurant in south London at the time and 'I had a lot of struggle.' Now it attracts television people and members of parliament. He has customers from France and the United States.

The secret, he suggests, is being there all the time. Relatives help him, but 'I don't trust them too much because they are so young.

'I believe in hard work, almost 17 hours a day. To keep up the standard, I have to look after everything myself. If I taste the curry and I think it isn't nice, I don't serve it. I ask: 'What is wrong?'

He continually improves the restaurant. He spent £100,000 on it two years ago. The other restaurants are run by partners, most of whom have worked with him.

The snag is finding the staff prepared to work the hours. It seems that Bangladeshis brought up in Britain do not want to work in restaurants.

ARTS

Ballet in 1987/Clement Crisp

The year of the male on the international stage

It may be possible to do without dancing entirely." So begins chapter 29 of Emma, and Miss Austen's message got home to a number of our local post-modernists, who avoided putting anything but their worst foot forward this year. They were a small irritation in a period which seems to have been more internationally varied, if not more distinguished, than I at first recalled. Companies from France, Italy, America, Brazil, Finland, Israel, Holland, Germany, Canada, Russia, Thailand, China, were on hand. I reported also from abroad on the Kirov and Bolshoy Ballets, on the Royal Danes, Paul Taylor, Maurice Bejart, on the Ballets de Monte Carlo, the Royal Ballet of Flanders, the Hamburg Ballet, the Ballet Theatre Français de Nancy.

It was a year of tremendous male performances, and of unexpected pleasures from small ensembles – I recall London City Ballet's staging of *La Sylphide* and Kim Miller's interpretation of Giselle with this improved troupe and the bravura staging of *Double Track* by Beppe Blankert for Dansproduktie, where film and mirrors were cunningly used at The Place to take us into the world of Samuel Beckett. *La Sylphide* might, after 150 years, still qualify as ballet of the year in the light of LCB's well-scaled staging by Solveig Ostergaard, and the astounding account of it given by the Royal Danish Ballet in Paris, where Arne Villumsen's haunted James and Sorella Englund's demented Madge played out a drama of passion and vengeance that revealed the continuing vitality of this tremendous old ballet.

Among the dominating male performances of the year, Villumsen's James is joined by interpretations from two of the Hamburg ballet's principals: Ivan Liska, whose Judas in John Neumeier's *St Matthew Passion* was a portrait of tormented humanity, and whose ardent Armand in the same choreographer's *Lady of the Camellias* was complemented by his brooding Onegin in Cranko's ballet, in which he partnered, and matched, the incandescent Makarova in a series of guest appearances with London Festival Ballet. Another Hamburg dancer, Anders Hellstrom, gave a reading of rigorous beauty and dignity as the *Christ of the Matthew Passion*, drawing the action of this four-hour spectacle into closest focus. John Neumeier himself added to the list of male excellence by appearing in Bejart's *Les Chaises* with Marcia Haydee. This absurdist *liebestod*, inspired by Ionesco, found Neumeier scuttling with manic energy about the stage, beating against the glacial calmness of Haydee's presence.

The year was marked by the convulsion of Bejart's quitting Brussels for Lausanne, where he installed himself with his troupe in the autumn. His belief in dance as a masculine activity inspired further extraordinary interpretations: *Songs of a Wayfarer* was luminously danced by Richard Cragun and Eric Vu An, mature power set against youthful clarity, while Fernando Bujones brought his unflawed classicism to one of Bejart's *Greek Dances*.

Russian men were also to the fore: from San Francisco I reported on Irek Mukhamedov's Albrecht – a role drawn in swathes of energy, passionately believing and passionately believable. In other Bolshoy performances Mukhamedov was a stratospheric Spartacus and a witty Basilio in *Don Quixote*, teamed in both works with Lyudmila Semenyaka, whose dancing rings with classic truth and is glorious. Bessmertnova floated sublimely through *Chopiniana* and was all feeling with Alexey Fadeyechev's idealistic Spartacus. Fadeyechev, another of the year's heroes, joined Semenyaka in a *Black Swan* duet where virtuosity was held exquisitely in check by elegance of style.

In Paris, the Kirov Ballet's season brought our first sight of another male star, Faroukh Ruzimatov, whose qualities were clear in a somewhat added production of *Le Corsaire*, and even more so in a recording of *Don Quixote* which I was fortunate to see in Moscow. Among modern dancers, Christopher Gillis tore at the nerves during the Paul Taylor Company's season in Paris, which showed him emotionally flayed in *Last Look*, one of Taylor's most despairing works. The Finnish dancer, Jorma Uotinen, invited to the Brighton Festival, was unforgettable in his own *Scream*, as a man haunted by a lost beloved.

Among foreign visitors, the Canadians sent us their National Ballet in Glen Tetley's *Alice* with its unspeakable score and strong dance performances, and the Grands Ballets Canadiens, who did not add to their reputation. Nor did Aterballetto during a visit to the Bath Festival. The Heidelberg Dance Theatre offered a prime cut of German expressionism in *Sylvia Plath*, intriguingly staged in the Jacob Street Studios at London Bridge, with a notable incarnation of the poetess by Kate Antrobus. Pilobolus did their, to me, tasteless acrobatic thing at Sadler's Wells among other American visitors, Stephen Petronio and Trisha Brown were involved in Umbrella-ish activities, and from Israel the Batsheva Dance Company brought one valid piece, by Mark Morris. Under the heading of Inscrutable Moments I would list *The Emperor's Warriors*, a determinedly quaint spectacle *from China, and the determinedly charming Royal Thai* dancers.

One irresistible visitor was Merce Cunningham, seen both at the Wells and at a Prom, where the Cage/Cunningham *Roaratorio* was given – pity the poor listeners who missed the fascinating steps and only got the tiresome sound-track. Especially memorable on this trip were *Cunningham's monumental Shards*, and *Points in Space* which was created for, and wonderfully shown on, BBC TV, to whom thanks for a year of improved dance programming.

The Russians sent the bright young hopefuls of the Bolshoy Academy, and the gliding and stamping Georgian State dancers. I was happy to renew acquaintance with the Royal Ballet of Flanders on its home territory, very lively in *Don Quixote*, and to see the Ballets de Monte Carlo in its enchanting theatre, doing well by Ashton's *Two Pigeons*. The Ballet Theatre Francais de Nancy gained a new leader in Patrick Dupond, who shone in a Lifar homage in Paris, and came to the Edinburgh Festival and to London with its Diaghilev homage, starring Nureyev. Nureyev also galvanised Festival Ballet's *Coppelia* and appeared as a vivid Mercutio in his own *Romeo and Juliet* with the company.

Among resident troupes, the annual accolade must go, yet again, to Sadler's Wells Royal Ballet, for creative vitality, and for excellence as an ensemble. In its 40th anniversary year, Peter Wright's ever-enthusiastic company toured Eastern Europe, and showed us a new repertory admirably varied: Bintley's *Allegri Diversi*, Jennifer Jackson's *One by Nine*, the welcome revival of Frank Staff's *Peter and the Wolf* and the rescue from oblivion of Ashton's *Valses Nobles et Sentimentales*, Graham Lustig's *Paramour*, Susan Crow's *Private City*, Derek Deane's *Picture of Dorian Grey*, Michael Corder's *Gloriana*, were some indication of the excitement engendered by the company. So was the appearance of Merrill Ashley, a dazzling guest from New York City Ballet as Aurora and in *Paquita* during SWRB's sojourn at Covent Garden, and so were interpretations by such artists as Sandra Madgwick, a sun-lit Aurora, and Petter Jacobsson. If Birmingham, as it is bruited, is offering a permanent home to the company, then the city will at once become an important centre of ballet. (It is one of history's ironies that, when considering how to plant the very first seeds of our national ballet in the repertory movement six decades ago, Dame Ninette de Valois should have written both to Lilian Baylis at the Old Vic and to Sir Barry Jackson in Birmingham. Miss Baylis replied.)

The Royal Ballet School's annual show provided a moment of more than passing interest in a piece of apprentice choreography by William Tuckett set to part of the Goldberg Variations, *with Darcey Bussell and William* Trevitt its promising interpreters.

And the Royal Ballet? The company went to Russia, put on a new *Swan Lake*, whose authenticity of step was not matched by authenticity of style, re-dressed *Cinderella*, and made one bright acquisition in Ashley Page's *Pursuit*. Among the year's Opera House appearances I treasure Deirdre Eyden's very feminine Odette/Odile, and everything Rosalyn Whitten does in this same ballet. David Bintley as Widow Simone, Simon Rice as Alain, and Fiona Chadwick as Lise kept *Fille* sparkling, and both Simon Rice and Deborah Bull made excellent debuts in *Rite of Spring* as the Chosen One. *Antoinette Sibley* showed again what is meant by ballerina quality in *The Dream*, sadly said to be her farewell to the role of Titania. But the significant event at Covent Garden was the presence of Bernard Haitink to conduct performances of a Stravinsky triple bill. This reasserted a fact almost forgotten by British dance-lovers: that music for ballet can be inspiring to listeners as to dancers. (Audiences for the Bolshoy and Kirov and New York City Ballets know this.)

Haitink's accounts of *Rite*, *Scenes de ballet* and *Firebird* were musically distinguished. That they inspired distinguished, alert performance by their casts is a fact that the Royal Ballet's administration might take to heart. The year otherwise brought predictable casting, predictable interpretations: to adapt Alfred Austin's lines upon Edward VII's illness: "It is no better, it is much the same."

Festival Ballet experienced stellar moments, thanks to stellar guests – Makarova, Nureyev, Ivan Liska. The year's acquisitions were a mixed bag, with Ashton's *Apparitions* very welcome, not least for Makarova's allure, though needing greater care with its design. Kevin Haigen's *A'Winged* for the main company, and his *Nocturne* for LFB were mystifying, and LFB's other novelties, by Ulysses Dove and Christopher Bruce did not add to the gaiety of the nation.

Rambert Dance Company acquired its new name this year, and some intriguing programmes, with new works from Richard Alston (*Pulcinella*), a staging of Cunningham's Septet (one of the best fruits of Digital's sponsorship of new productions for various companies during the year), Siobhan Davies's *Rushes* and Lynn Seymour's punk-Mozartian *Wolfi*. Worthwhile was the Collaboration evening of new dance, music, and decor, which included fresh design ideas by Anish Kapoor, Richard Deacon and John Murphy.

London Contemporary Dance Theatre celebrated 21 years of achievement that have radically altered public perceptions about dance in this country. New works were mounted by Robert Cohan, Tom Jobe, Robert North, Christopher Bannerman, Rosalind Newman, but I wish I could feel that the company was not at a dangerous age, at that moment when there must be new adventures in style to prepare for the next 21 years. LCDT is a superb ensemble whose gifts now need further challenges.

Arne Villumsen and Mette-Ida Kirk in "La Sylphide"

London exhibitions/William Packer

Memories of childhood are made of this

"Fillette au Chien," 1905, by Pablo Picasso

Sotheby's new year charity shows are, after only a few short years, already a habit and a fixture in the calendar. *Childhood* is the subject of this year's major effort, an extensive loan exhibition that fills the principal viewing rooms and is dedicated, appropriately, to the Save the Children Fund (until January 27). Mothercare, Willis Faber & Dumas Ltd, and Stewart Wrightson Surety & Specie have come in, with Sotheby's, as major sponsors, with many other firms and individuals making smaller contributions. Admission is free, the catalogue costs £10 and any further contributions, of course, are welcome.

The exhibition is set out in a loose chronology that brings the visitor room by room from the 15th to the early 20th century. It is a comprehensive and inclusive exercise, by which paintings, photographs, furniture, toys and dolls, children's books and illustration, letters, accounts, reports, and all such ephemera of nursery and schoolroom, from all the periods, are brought together in tableau display and general association.

Set out rather in the manner of the old-fashioned museum or cabinet of curiosities, it is, in an age of a sometimes over-precious museumship, none the worse for that; for the fun of the thing is in the browsing, the discovery for oneself of familiar or long-forgotten characters, and the general imaginative projection of sympathy and experience across the centuries. It is in the nature of the material that the mass of it should have been commissioned, collected, preserved and handed down by the middle and upper classes. Here is Millais' "Bubbles," here the child Winston Churchill's golden curls, there a set of Etonian memorabilia, and there the Princess Victoria's schoolroom report. The Victorian genre painters may consider the condition of the poor and distressed in somewhat more literary and less direct a fashion than their contemporary photographers, but their point of view is essentially the same.

No matter: the sociology may be implicit but is clear enough to be considered fairly even as the visitor enjoys the material as it is. The loans have been extremely generous. The pictures include Isaac Fuller's great Family Group, supposedly that of Sir Thomas Browne, Reynolds' "Master Crewe as Henry VIII" and on through works by Wright of Derby and Zoffany to Gotch, Orpen, Lavery and Nicholson. The drawings bring us from Samuel Cooper and George Dance to Sargent, Gwen John and Picasso. The cars, prams and carriages are terrific, the Teddy Bears delightful, the toys, arks and houses wonderful, the dolls enchanting. Charles I's rocking horse is a near-abstract sculpture.

*

The two smaller exhibitions at Sotheby's should not be overlooked entirely. To celebrate the 50th exhibition of the Society of Wood Engravers, *Engraving Then & Now* (until January 15) brings together work from the 1920s to the 1980s in the Society's first true retrospective. Wood engraving is not the most self-declaratory of the visual arts, suited by scale and nature more to the private imaginative spaces of the book or folio than to the public wall, and too slow, perhaps, for more impatient artists. This delightful exhibition shows us that quality is quality, and that craftsmanship quite transcends whatever might be the current fashion. Such artists as Gertrude Hermes, David Jones, Hughes-Stanton, Gill, Farleigh, Stone and Gibbings cover the Society's earlier days, but how good it is to see, in the work of such current members as Ray Hedger, that the old distinction and finesse is by no means lost.

Watercolours from Winchester College (until January 27), in aid of the Winchester Cathedral Appeal, is the other show and one which explains itself. Most of the works here are from the collection given to the College in 1940 by Henry Collinson, and they include fine examples from the classic period of English water-colour painting, from the mid 18th to the early 19th century, in particular a wonderfully animated Rowlandson hunting scene, a vaporous Turner view on the Rhine, and some good Cotmans. There is also, and unexpected in the context, a lovely Boudin moment on the beach. A few other things were given by Col. Arthur Brooke in 1954, that here include some Rackhams and an early Dadd.

*

Not to be in the least bit outdone, Christie's now follow up last year's review of the work of the New English Art Club with an exhibition given to *The Painters of Camden Town: 1905 - 1920* (until January 24: sponsored by Enterprise Oil). It is again a loan exhibition, comprehensive and beautifully researched, and if the Tate could not be persuaded to release some of its own definitive works of this group and period, the deficiency is more than made up, and perhaps more intriguingly so, by less familiar but no less fine examples from elsewhere.

Walter Sickert is of course the presiding genius of this loose confederation of artists, as insistently factional and fissiparous as any group of artists in any time, any where. First came the Fitzroy Street Group, that grew out of the open house he kept each Saturday at his studio at number 8. Then in 1911 came the Camden Town Group, and at last, just before the Great War, the fusion of the two within the London Group, that still survives though much changed.

The quality of the work, however, is finally more interesting than the politics, and here we are shown clearly the difference between truly modest and merely minor art. To characterise it in terms of Sickert's work is simply to use the best to a purpose and not at all to denigrate the rest. Intimate, domestic, urban subjects, the life of the cafe, music hall and market, the nude on the bed, the figure against the light, small paintings, rich paint and private images: all this became general to the work of a circle of artists rather wider than the group itself, such as it was, and came to carry a decided flavour not just of England but of London.

Gilman, Ginner, Bevan, Gore, Gosse and the rest would go their own ways, and the circle widen, as we see here. But it is to Sickert that we come back, a great artist even now too little acknowledged for his worth, patronised for his association with the likes of Degas and Whistler, and for being later no more than the big fish in the small pool. He had indeed that anecdotal sense of scene and incident that satisfies an English taste and marks him as an English artist, but always there is too that deeper, necessary feeling for the cookery and alchemy of paint itself, dense, rich and resonant, to set him up with very best of his contemporary French conjurors.

Arts guide

January 1-7

Music

PARIS

Aldo Ciccolini, piano, Henri Demarquette, cello: Brahms, Schubert, Debussy (Mon 6.30pm). TMP-Chatelet (42 33 44 44)

Orchestre de Paris conducted by Carlo Maria Giulini, Barbara Bonney, soprano, Jard van Nes, mezzo-soprano, Keith Lewis, tenor, with the Paris Orchestra's choir conducted by Arthur Oldham: Bach, Mass in B Minor (Wed, Thur). Salle Pleyel (45 63 07 96)

Nouvel Orchestre Philharmonique and Radio France Choir conducted by John Nelson, Anne-Sofie von Otter, Frederick Plantak, Laurence Albert: Berlioz, Romeo and Juliette, Dramatic Symphony (Thur). Theatre des Champs Elysees (47 20 36 37)

NEW YORK

New York Philharmonic (Avery Fisher Hall): Zubin Mehta conducting, Yvonne Loriod piano, Jeanne Loriod ondes martenot. Messiaen (Thur). Lincoln Center (874 2424)

CHICAGO

Chicago Symphony (Orchestra Hall): Herbert Blomstedt conducting, Ivan Moravec piano. Mozart, Bruckner (Thur). (435 8111)

TOKYO

Tokyo Academica Ensemble, New Year Concert. Mozart, Schumann, Debussy, Franck. Tokyo Bunka Kaikan recital hall (Tue). (561 5912)

Tokyo Symphony Orchestra, Dvorak New World Symphony etc. Suntory Hall (Wed). (583 6151)

Opera and Ballet

LONDON

Royal Opera, Covent Garden: the latest Rossini opera to join the Royal Opera repertory is L'italiana in Algeri, in a new production by Jean-Pierre Ponnelle (borrowed from Vienna). Agnes Baltsa, Paolo Montarsolo, Deon van der Walt, and Alessandro Corbelli make up the cast; that excellent Rossinian Gabriele Ferro is the conductor.

English National Opera, Coliseum: Valerie Masterson sings her first Marschallin in the revival of Der Rosenkavalier, with Jean Rigby and Rosa Mannion, conducted by Christian Badea. Further performances of two Jonathan Miller productions - the celebrated Mafia-style Rigoletto, with John Rawnsley, and the inert, dully unfunny new Barber of Seville, with Della Jones's Rosina as the evening's single important saving grace.

PARIS

Kirov. The temple of classical ballet has brought, with Swan Lake and Giselle, a revelation: the couple Farouk Ruzimatov and Altynai Assylmuratova. Palais des Congres (426 62075) until Jan 10.

ITALY

Milan: Teatro alla Scala: Giorgio Strehler's impressive but gloomy production of Don Giovanni conducted by Riccardo Muti, with sets by Ezio Frigerio and costumes by Franca Squarciapino. A new cast takes over for the second half of the run, with Jose van Dam as Don Giovanni, Cheryl Studer as Donn'Anna, Patrica Pace as Zerlina. Also Nureyev's production of The Nutcracker, with scenery and costumes by Nicholas Georgiadis. (80 91 26)

Rome: Teatro Dell'Opera: Gounod's Faust (sung in French) directed by Luca Ronconi and conducted by Gianfranco Masini, with scenery and costumes by Pier Luigi Pizzi. The cast includes Ruggero Raimondi, Jean Dupouy, Carol Vaness, Roberto Frantali and Alice Baker. (46 17 55)

Trieste: Teatro Comunale Giuseppe Verdi: The Ballets Nationals de Marseilles in Roland Petit's L'Angelo Azzuro, based on Heinrich Mann's novel Professor Unrat. (63 19 48)

WEST GERMANY

Berlin: Deutsche Oper: Die Hugenotten features Angela Denning, Pilar Lorengar, Andrea Andonian and Victor von Halem. Der Freischuetz in Johannes Schaaf's production stars Rene Kollo as Max. Die Zauberfloete with Helen Donath, Barbara Vogel, Martti Talvela and Horst Laubenthal closes the week. (34 381)

Hamburg: Staatsoper: Le Nozze di Figaro is a joint project between Hamburg and Salzburg Mozarteum. The cast includes Linda Plech, Deborah Massell, Ralph Houston and Peter Galliard. Ariadne auf Naxos has Hildegard Hartwig, Heseon Kwon, Judith Beckmann and Dieter Weller. Also offered Die Verkaufte Braut with Linda Plech, Olive Fredricks and Dieter Weller; Dornroschen, choreographed by John Neumeier, and Daphnis und Cloe/Der Feuervogel, danced to music by Ravel and Stravinsky. (35 11 51)

Cologne: Opera: Der Rosenkavalier has a strong cast with Margaret Marshall, Theresa Ringholz, Delores Ziegler and Gunther von Kannen. Die Italienerin in Algier has Doris Soffel, Alberto Rinaldi, David Kubler, John del Carlo, and will be conducted by Ralf Weikert. (20 761)

Frankfurt: Opera: Le Nozze di Figaro has fine interpretations by Edith Mathis, Nane Christie, Marianne Rohrholm, Wolfgang Schone and Gile Cachmaille. La Boheme, in *Schlondorff's production*, stars Adriana Vanelli, Hildegard Heichele and Jonathan Welsh. John Cage's production of his two operas, Europeras 1 and 2, is again offered this week. (25 621)

Stuttgart: Wuerttembergisches Staatstheater: Das Rheingold, in a concert version conducted by Peter Schneider has Eva Randova, Raili Viljakainen, Manfred Jung and Roland Bracht as leads. Also Die Entfuhrung aus dem Serail, conducted by Hans Zender (20 321)

NEW YORK

Metropolitan Opera (Opera House). Sir Peter Hall's production of Macbeth conducted by Giuseppe Sinopoli has its first seasonal performances with Eva Marton, Renato Bruson and Samuel Ramey. Les Contes d'Hoffmann, in Otto Schenk's production conducted by Charles Dutoit, features Gwendolyn Bradley, Roberta Alexander, Neil Shicoff and James Morris. Manuel Rosenthal conducts Die Fledermaus in Otto Schenk's production with Barbara Daniels, Judith Blegen, Tatiana Troyanos, *David Rendall and Sid Ceausar*. Lincoln Center (362 6000).

New York City Ballet (New York State Theatre). Nikolais and Louis. Two choreographers with their own companies, Alwin Nikolais and Murray Louis, team up for a five-week season featuring seven programmes, including a number of premieres. Ends Jan 17.

WASHINGTON

Washington Opera (Eisenhower). The season continues with the little performed L'Amico Fritz by Mascagni in repertory with Ruddigore. Kennedy Center (254 3670)

HMS Pinafore (Opera House): Brian Mcdonald's production stars Ron Moody and Meg Bussest. Kennedy Center. Ends Feb 6 (254 3770).

Babes in the Wood/Southampton

Michael Coveney

The picture book medieval splendours of the Palladium *Babes in the Wood* may only serve to remind us how *badly* designed are most pantomimes. But this big, generously splashy spectacular has a moon dreamscape with a large illuminated swan chariot, a superb puppet disco interlude, a real horse for the Sheriff's first entrance, and two reasonably "live" donkeys.

It also has the lugubriously lubricious Les Dawson, and try saying that after a couple of drinks. Dawson has never before played pantomime, or indeed anything else, in the South of England, so his arrival in Southampton as Nurse Ada is something of a major event.

Northern comics are notoriously wary of audiences south of Birmingham. But Dawson's popularity is such that he is packing them in to this great barn of a converted cinema, improved and refurbished over the past two years to the tune of nearly 4m pounds. The cinema, that is, not Dawson. "It's like working in dry dock" he mournfully proclaims, ambling almost reluctantly to the front of the stage as a blue-smocked nurse in a red clown's nose and incongruous black socks and shoes.

He has good words, *too*, for Southampton itself, which is like "Liverpool with O-levels." And he is not slow to enlist our help in the haunted forest should we spot anything unusual – "like a script." The real point about Dawson's Nurse is its sexual subversiveness. His travesty persona is a double travesty of an old sex-starved prune. "Could you kill a man?" asks Ann Sidney's lush, thigh-spirited Robin. "Yes" replies Dawson, lightly cupping a right floppy bosom as if to test his own gender, "eventually."

But upstage of Miss Sidney, even baser, contradictory instincts take over, and he is not to be trusted with a large red loofah on which legs in fishnet work like a magnet. Flatulence is another recurring theme, even prompting a memorably brisk exchange in the schoolroom ("You fat head"/ "No I did not"/ "Well, somebody did"). Dawson's Nurse, in fact, is one slow painful exhalation, a magnificent, overwhelming display of unstudied indifference.

This *Babes* was first seen at the Manchester Palace two years ago and at the Birmingham Alexandra last Christmas. It includes further variations on physical grotesquerie in the shape of the Roly Polys, those spirited matrons who answer Sigmund Romberg's call for stout-hearted men in the forest and proceed to do exactly what fat ladies of advanced years are not expected to do: wiggle their bottoms and kick up their legs.

There is also a wonderful Shakespeare-mutilating Sheriff, closely modelled by John Nettles on Antony Sher's Richard III, even unto the medical crutches. Mr Nettles, dubbed by Dawson "Beaujolais of Guernsey," has a field day on holiday from TV detective work. The tinkers are those likeable copycats Aiden J Harvey and Allan Stewart.

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Tuesday January 5 1988

BP/Britoil predicament

IT WOULD indeed be an ignominious result of the Government's largest-ever privatisation offer if Britain's largest company should change the first name of its title to Kuwait.

Even the possibility that British Petroleum might fall into the control of a small Gulf state bordering on Iraq, must now be stirring up uncomfortable questions in the minds of ministers.

The collapse of the stock market just after the £7.2bn BP offering in November and the Bank of England's entry into the market to guarantee a minimum price of 70p for the partly paid shares gave the Kuwait Investment Office a most unusual opportunity to build up a stake in BP.

By astute purchasing it has been able to buy nearly one-fifth of BP's equity without raising the price. The underwriters to this megaflop were glad to find a buyer who would pay them a few pence more than the Bank was offering. When the Bank's offer expires tomorrow the KIO could have the chance to push its stake to 25 per cent or more depending on market sentiment.

Golden share

It might be argued that after selling off its 31.5 per cent holding in BP and the right to appoint two board members, the Government should not interfere in the subsequent market in those shares. The central purpose of privatisation, it could be said, is to allow an unfettered market to determine the best use of corporate assets, including changes of control.

However, the Government's position is less simple. In the case of Britoil, it established a golden share at the time of flotation to block unwelcome takeovers. Now it is saying that it will use this power to frustrate BP's efforts to gain control of the smaller company.

Unfortunately for ministers, the golden share appears to to be flawed. It gives the Government a casting vote at a shareholders' meeting but it is unlikely to prevent BP or another predator from obtaining 100 per cent ownership. Change of control would be bound to follow sooner or later.

The golden share, created to give the newly-privatised company time to establish itself, can hardly have been intended to protect a private sector oil company from the disciplines of the market for ever. The Government must therefore follow the logic of its privatisation strategy by declaring a date for the redemption of Britoil's golden share, as it has already done for that other privatised exploration company, Enterprise Oil.

Broader objectives

Does the same free market logic apply to BP's own predicament? BP's position as the world's third largest oil company would make any transfer of ownership a matter of major strategic and political importance. More seriously, the Kuwait Investment Office is wholly owned by a government which is part of an oil cartel which wielded fearsome economic and political power over the West in 1973 and 1979, and may do so again. The KIO has a good record of orderly investment and of non-interference in companies in which it holds a significant stake. However, its move into BP takes on a special significance in view of Kuwait's vigorous and successful drive to diversify into the refining and marketing of oil products. It already holds enough shares to exercise a degree of influence over BP, and might be tempted at some stage to mount a full bid, or sell to another bidder.

So, although the Kuwaitis have acted perfectly correctly, their stake in BP is now too large be regarded as a portfolio investment, It is time for them to be more explicit about their broader objectives. The British Government, which has been confounded by some of the consequences of its privatisation policy, must also face this issue. It should say that the Kuwaiti authorities are welcome to invest in BP, but that any attempt to gain control of the company will be prevented. No golden share is needed since the Government has powers under the Industry Act to prevent the transfer of control of important manufacturing undertakings if the national interest requires it. Such drastic interference in the equity market can be justified in only most exceptional cases but this would be one of them. The Government should say so.

Mrs Thatcher's African visit

NEARLY 30 years ago Harold Macmillan captured the mood of black Africa when he told the South African parliament that a "wind of change" was blowing through the continent. The visit by Mrs Thatcher to Kenya and Nigeria, now under way, is not the African safari that her predecessor undertook but none the less it presents an opportunity for a British prime minister once again to take stock of what continues to be a turbulent continent.

It is important to strengthen ties with two of Britain's most important partners in Africa. There are several bilateral trading issues which Mrs Thatcher will wish to raise in her talks with President Daniel arap Moi and President Ibrahim Babangida. However, she and the two African leaders should also take the chance to review the daunting range of problems facing a continent in the grips of an economic crisis, compounded by famine, civil conflicts and political instability.

Training programme

The continuing stalemate in South Africa, and how outsiders can help resolve it, will certainly loom large in Mrs Thatcher's discussions with Presidents Moi and Babangida, but the inevitable differences over how to treat Pretoria should not be allowed to dominate their talks.

This is not to suggest that an exchange of views on South Africa need be futile, for both sides have something to learn from the other. Mrs Thatcher will take the opportunity to reaffirm her well-known view that sanctions against South Africa are counter-productive, are likely to increase unemployment among black South Africans and leave neighbouring states open to retaliation by Pretoria. Less well known, the Prime Minister might say, is the training programme for black South Africans in the UK and the substantial assistance given to black southern African states in their efforts to reduce trade and transport links with the republic.

For their part the presidents might ask Mrs Thatcher to explain why, at the Vancouver Commonwealth summit last October, she described the African National Congress of South Africa a "terrorist organisation." They may wish to point out that President Reagan's policy of "constructive engagement" with Pretoria, which has been adopted by Mrs Thatcher, has proved ineffectual in bringing about fundamental change in South Africa. The presidents are also known to be deeply concerned about Pretoria's continued occupation of Namibia (South West Africa) and its involvement in the wars in Angola and Mozambique.

Political risks

It is unlikely that there will be a meeting of minds. But if the presidents can convey the depth of Africa's concerns, and if Mrs Thatcher can convince them of the sincerity of her opposition to apartheid, the time will not be wasted. The African leaders should then move on, and try to win Mrs Thatcher's understanding of other elements in the continent's predicament.

Her attention should be drawn, for example, to the burden of servicing the continent's $200bn external debt, which is threatening the reform policies which Western governments have long urged on Africa and which Nigeria has gone a long way towards implementing. She could be told about the political risks African governments take when they implement structural adjustment programmes which often cause severe hardship.

No-one expects that the five-day visit will prove a seminal event either for Africa or Mrs Thatcher. But if it serves to put the continent and its problems higher on the international agenda a very useful purpose will have been served. She is after all a European leader as well as a British Prime Minister and the future of Africa is of some moment to the future of Europe.

Clive Wolman reports on a campaign to oust Sir Kenneth Berrill from the SIB

City policeman under fire

OVER THE LAST four months, a classic City whispering and lobbying campaign has been gathering pace to oust Sir Kenneth Berrill from his position as lynchpin of the new financial services regulatory structure.

In the front line are a group of senior figures from several merchant banks and the Bank of England who are only prepared to voice their criticisms if they are not identified in public.

With less than four months to go before the Financial Services Act takes full effect, the costs faced by investment firms of having to ensure that all their employees understand and comply with hundreds of new, complicated rules have been estimated at as much as £100m. The cutback now threatening many securities firms has added a twist to the resentment caused by the additional costs, administrative burdens and restrictions on business-getting and has intensified the search for the culprit.

Sir Kenneth is in a particularly vulnerable position because his three-year term of office as chairman of the Securities and Investments Board (SIB) – the chief regulatory overseer – is due to expire at the end of May, although he has said he would like to serve another term. Lord Young, Trade and Industry Minister since the general election, has assured several leading City figures that he is sympathetic to their complaints but is constrained politically from intervening to weaken the SIB's powers.

It is ironic that the moves to deflect the impact of the act by removing the chief regulator should have gathered pace at the end of a year which saw the most dramatic City scandal and arrests since the early 18th century, followed by the most severe stock market collapse since Wall Street in 1929. Ironic because in the last attempt to introduce such a comprehensive investor protection system – in the US in the 1930s – the sequence was precisely the other way round: a stock market collapse, followed by revelations of abuses and scandals, followed by the introduction of a tough regulatory regime.

The UK's Financial Services Act, which is loosely based on the US model of a regulatory agency supervising self-regulating bodies, was passed by parliament in 1986 before the Guinness scandal broke and just as the 1981-87 bull market was entering its final phase.

The nub of the City's complaints against Sir Kenneth is that he has produced an unwieldy, over-complicated and excessively restrictive rulebook for the five self-regulating organisations (SROs). But despite the vehemence of Sir Kenneth's critics, it is difficult to place the responsibility on him for most of the alleged defects of the new structure as it has developed since Professor Jim Gower embarked on his report on investor protection in 1981.

The arcane legal jargon of the SRO rulebooks became necessary only because the City practitioners, in particular those in the Securities Association led by Mr Andrew Large, of the Swiss Banking Corporation, insisted that their obligations be defined precisely. Their concern was to ensure that their customers would not be able to sue them successfully as a result of a judge's liberal interpretation of a vague statement of principle in the rules.

Other complexities have arisen as a result of the City's lobbying for exemptions. One of the most mind-boggling sections in the new structure is the exemption granted from the market manipulation provisions to a securities firm which is seeking to "stabilise" a new issue. But this exemption appears in the act, as a result of the lobbying of the international securities firms.

What is undoubtedly an anomalous consequence of the new structure is that the SIB rulebook is as crammed with detailed rules as any of the SRO rulebooks. Both the SIB and SROs have attempted to provide for every foreseeable eventuality. Most SRO board members believe that the SIB should have confined itself to statements of general principle and that it allowed itself to be taken over by lawyers. The SIB insists that it had no alternative under the remit given it by parliament and by the Trade and Industry Department (DTI).

Wherever the blame lies – and part of it must go back to English legal traditions – the most bitter clashes between the SROs and the SIB have arisen over the SIB's insistence that the SRO rulebooks offer an equivalent standard of investor protection to that of its own rulebook.

For many members of a long-established self-regulating organisation like the Stock Exchange (now the Securities Association), with a well-embedded rulebook, this was the last straw. A series of confrontations between the lawyers and draftsmen of the two organisations in September led to lobbying of the DTI not only against specific provisions of the SIB rulebook but against the entire regulatory apparatus erected by the SIB – and against Sir Kenneth himself. The City practitioners complained in particular about

The nub of the complaints is an unwieldy and restrictive SROs' rulebook

some of the SIB's younger lawyers on secondment, who, they claimed, lacked the practical experience which would have tempered their dogmatism.

The policy of relying on secondees originated with Sir Kenneth when he was first appointed. But the primary responsibility lies with the DTI, which has been seconding its lawyers to the SIB and advising it at every stage, and with the City institutions themselves. With the exception of the merchant bank N.M. Rothschild, which allowed one of its leading corporate financiers, Ms Kate Mortimer, to spend two years helping to draft the SIB rulebook, City firms have been reluctant to second top staff to the SIB.

According to Ms Elizabeth Brimelow, of County NatWest Securities and a member of the board of the Securities Association, the largest self-regulating organisation under the aegis of the SIB: "All these criticisms amount to little more than what psychologists call displaced aggression. The critics cannot work out what has caused their troubles so they blame it all on Berrill."

Another Securities Association board member describes the SIB board meetings: "An SIB rule is read out and everyone starts giving examples of how impractical it would be to apply it. Resentment against the SIB builds up – and Berrill is the obvious symbol."

Tensions have been aggravated by Sir Kenneth's personality and his predominantly academic and civil service background. He became involved in the City only eight years ago at the age of 59, when taking over the chairmanship of Vickers da Costa. Despite a reputation for taking a close personal interest in his students, Sir Kenneth has shown less patience when dealing with the less quick-witted members of his staff and of the City lobbies. One fellow-member of his board earlier this year accused him of being an "intellectual bully."

Sir Kenneth has shown no decline in his intellectual powers in getting to grips with such highly technical issues as the SIB's capital backing requirements for investment firms and their harmonisation with Bank of England requirements. Many of the protests against him have been fuelled by his skill in demolishing the special pleading of different interest groups in the financial services industry, particularly the life insurance and unit trust companies.

In 1985, there was a danger that the regulatory board under Sir Mark Weinberg – one of the life insurance industry's most successful entrepreneurs and sales force managers – might be too much influenced by the insurance companies. Sir Kenneth failed initially to challenge any of its more self-interested proposals and admitted in a trade journal that everything he knew about life insurance he had learnt from Weinberg.

Since then, however, Sir Kenneth has insisted on narrowing down the exemption that allows insurance brokers to conceal from investors the amount of commission they earn for recommending a policy. He also aroused the fury of the clearing banks – and it is thought the Bank of England – by stopping bank managers from selling their in-house life insurance policies and unit trusts to customers they were advising on a supposedly impartial basis.

But the most radical initiative Sir Kenneth has taken has been in the drafting of new regulations for the unit trust industry which, until now, has been regulated by the DTI. The new draft regulations published by the SIB in the autumn would have cracked down on several forms of abuse of pricing. The protests

The task of implementing the new framework is viewed as a thankless one

this unleashed from unit trust management companies coincided with similar protests from other parts of the City. Despite the intrinsic merits of the SIB's unit trust proposals, Sir Kenneth had failed to pick off his opponents one by one.

Lord Young reaffirmed his support for Sir Kenneth and the SIB in public. But he also took steps to placate the City: he postponed the implementation of the critical section 62 of the Financial Services Act which allows small investors to sue firms for breaches of the Act and he took the responsibility for the new unit trust regulations away from the SIB, and returned it to the DTI.

The Bank of England, which is thought to be anxious to retain a residual regulatory role over investment firms and not to be displaced completely by the SIB, has shown greater sympathy to the City protesters. Mr Robin Leigh-Pemberton, the Governor, is jointly empowered with Lord Young to appoint the SIB chairman when Sir Kenneth's term expires and senior Bank officials have said that he has been looking for an alternative choice. The search will not be easy. The task of implementing the new framework is viewed as a thankless one.

Of the possible candidates, Sir Mark Weinberg, Sir Kenneth's deputy, is probably too closely linked with the interests of the life insurance industry to be acceptable to consumer groups or to many sections of the City.

Sir Nicholas Goodison is thought to be pining for a more active role as a regulator now that the Stock Exchange, which he has headed since 1976, is losing most of its regulatory powers and duties to the Securities Association. But, in spite of his political skill in pushing through the Big Bang reforms since 1983, he has put himself out of the running through his opposition to many of the key principles on which the new City regulatory structure has been founded.

Another possibility is Mr Robert Alexander QC, who has developed a reputation for enlightened toughness since becoming chief executive of the Takeover Panel earlier this year. But becoming SIB chairman would mean abandoning a lucrative and successful career at the bar.

None of the heads of the self-regulating organisations has sufficient stature or breadth of experience to be in the running except possibly Mr John Morgan, head of the Investment Management Regulatory Organisation, who previously managed the British Rail pension fund.

Mr Ian Hay Davison, who played a key role in the regulatory reform of the Lloyd's insurance market as its former chief executive, is also in the running. His resignation from Lloyd's in 1986 was precipitated partly by a critical report on his administration prepared by Sir Kenneth, who is a member of Lloyd's council. Mr Hay Davidson, who is currently heading an inquiry into the Hong Kong securities industry, is known to believe he was betrayed by Sir Kenneth. But the abrasive reputation he acquired at Lloyd's does not make him an ideal replacement.

The difficulty of finding a suitable candidate and the lack of enthusiasm for change within the DTI, if not the Bank, may ensure that Sir Kenneth has at least another year or two as head of the SIB. This would give him a chance to put into practice the structure that has been painstakingly drawn up after nearly seven years of debate and consultation.

Men and Matters

Sue Selwyn follows father

Jesters on Hong Kong's stock exchange were finding wry amusement yesterday in the thought that as the "Ronald Li team" has been ousted from control of the exchange after the dramatic arrests at the weekend, so the "Robert Fell team" has emerged to take a stranglehold in its place.

The spotlight fell yesterday on Sue Selwyn, who until the weekend was deputy secretary to the council of the London stock exchange.

She has been seconded to Hong Kong for a year to be the exchange's secretary and general manager, and will in effect be Fell's right-hand person.

Also on hand from the London stock exchange is Michael Baker, who is officially on leave from his post as executive director, markets. He is working alongside Fell aiming to provide some immediate solutions to settlement problems that were among the triggers of crisis in the Hong Kong market during the October "melt down".

Both became colleagues of Fell while he was chief executive of the London stock exchange, and there can be little doubt that old loyalties have played a large part in their decision to lend a hand.

Sue Selwyn, from the improbable starting point of a degree in geology (she is an associate of the Royal Society of Mines), went on to gain a business master's degree at the City of London university.

She has spent the last 15 years at the stock exchange. But she also has also had a long-standing flirtation with Hong Kong.

Her father, James Selwyn, was Hong Kong's first commissoner for securities in the 1970s.

Selwyn was called out of retirement after a career at the Bank of England for a two–month consultancy in the colony. He eventually spent six years there.

Fell retired from the London stock exchange for a six–month secondment to Hong Kong's securities commission, and has also ended up by spending six years in the territory.

Given that history who knows what will happen to Sue Selwyn's one–year commitment?

While her father was in Hong Kong, she recalls making several visits. "I used to go trekking in Nepal every year, and tagged a visit to Hong Kong on to the end of each trip."

She was involved in London in establishing Talisman, the London exchange's computerised settlement system, alongside Fell. She expects to be working in more general areas while seconded to Hong Kong. A major role will be to help train a future permanent chief executive. Head hunters were appointed two months ago to find a full–time successor to Fell, and a choice is likely to be made from a short–list in about a month.

"I came in at a volatile time, but I absolutely love the challenge," she said yesterday.

"I'm under no illusions – there will be sticky situations – but I thrive on dealing with sticky situations. I don't always succeed. But I don't like it if I fail."

As she leapt into the deep end yesterday, there was only one slight note of regret. "With all of my trekking in Nepal, I've been studying Hindi, and just got my O-level this summer. At this moment, I wish it had been Cantonese."

"Poor devil – he didn't get a mention in the Sun's Honours leak and the Observer refused his memoirs"

Star performers

Strange things can happen to share prices in the stock market's present unsettled state.

So Jim McBurney, who keeps a weather eye on the textile sector in the London office of Prudential-Bache has cast aside conventional methods of forecasting in favour of astrology.

In his latest circular McBurney suggests that investors should pick and choose among the textile companies according to their star signs.

Hence Taureans, who "hate any change in direction", are urged to take comfort in Tootal's gross yield. The "dynamic individuals" under Sagittarius are pointed towards Coats Viyella.

Those born under Virgo who "like order and tidiness" are urged to plump for a stock which will cause "as little anxiety as possible, such as Courtaulds".

And Geminians, who are fated to be "both bull and bear" at the same time, are advised to hedge their bets by investing in both Coats and Courtaulds.

Hard liners

The spirit of glasnost appears to be sweeping through British Rail, if the January issue of its Railnews house journal is anything to go by.

The letters pages are littered, pardon the pun, with moans about the grubby state of the rail network, overcrowding of trains and fare increases. And the complaints come not from the travelling public, but from BR staff.

"I'm upset that I'm part of an industry that does not appear to want to run a fast, reliable service," writes Keith Sansum, a leading railman from Dover. "Instead, they (or should I say we) run a cold, dirty and underfinanced railway."

"Is BR deliberately trying to destroy goodwill among the public and suffocate the commitment of its employees?" asks Ross Maynard, a Western Region management trainee, criticising what he calls the "barmy" fare rises taking effect in January.

But the letter most likely to strike a chord with rail users comes from G. Scott-Lowe, a guard from Bristol, who takes BR to task over the overcrowding on some 125 High Speed Train services.

"On my line it is not unusual for evening HST departures from Paddington to Bristol, South Wales or Plymouth to leave with 400 passengers sitting and up to 600 standing," he writes.

"Comments are put daily on our passenger train loading forms. Are these forms acted upon or merely put in a convenient waste bin?"

Such is the overcrowding, says Scott-Lowe, that one daily commuter from Didcot to Paddington confessed to him that he very rarely paid for the trip because the guard could not get through the packed train to check tickets.

Corrupt on earth

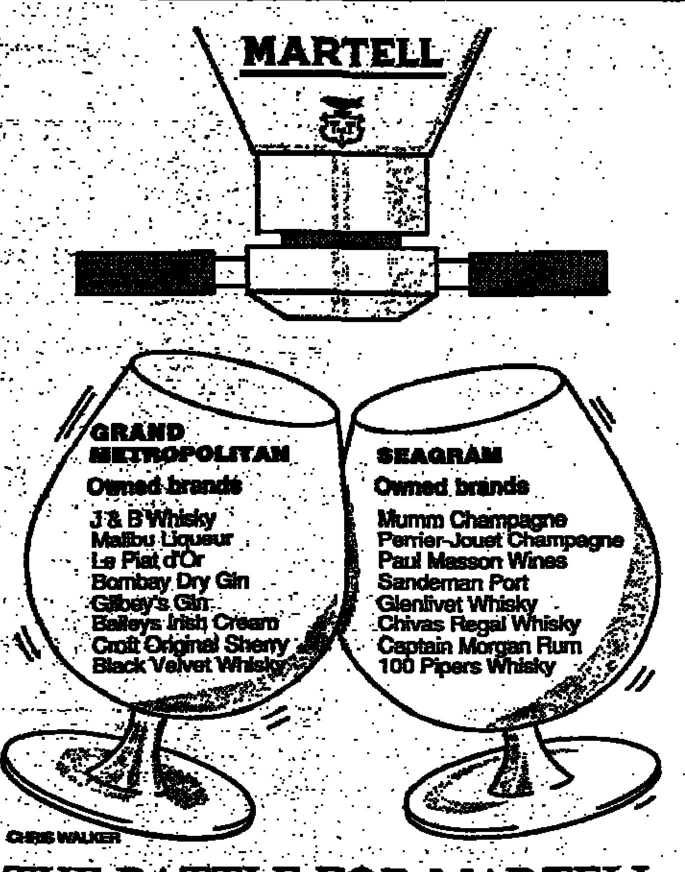
In a move possibly designed to attract support in the west Iran has threatened to put its car salesmen and estate agents out of business unless they mend their ways.

The official in charge of supervising guilds has described their jobs as false professions, and blamed them for the rising cost of land, houses, and cars.

He has a special fate in store for his victims: "If estate agents and car dealers do not review their practices legal power will be utilised, and they will be declared corrupt on earth".

He seems to be just the sort of chap the Office of Fair Trading is looking for.

Observer



THE BATTLE FOR MARTELL

Private deal, public row

By George Graham

FOR Edgar Bronfman Junior and his Seagram drinks conglomerate the game seemed to be sewn up before it started.

A cosy family arrangement last week appeared to have allowed him to sneak the ancient French brandy house, Martell, from under the nose of his arch-rival, Grand Metropolitan of the UK. But the deal could come unravelled.

The displeasure of the French authorities at his private arrangement to buy the 41 per cent stake of the Firino Martell family, added to the 12 per cent he had already bought in the market, appears to have tilted the balance strongly in favour of Grand Metropolitan, which owned 19.9 per cent of Martell.

Seagram may still have the advantage of the support of the main family shareholders of Martell. But it has blotted its copybook, according to the stock exchange, which says that the private deal, carried out through a notary, did not conform with correct bourse procedures.

Breaking Seagram's arrangement with the Firino Martell family through the law courts could take years and the result would be far from certain because there is no case law in this area. As a foreign company, Seagram must obtain the Finance Minister's approval before it can take control of Martell – as must Grand Metropolitan.

Flouting stock exchange rules would give the minister *prima facie* grounds for refusing his permission. According to Mr Georges Chavanes, the junior minister for commerce, services and craft industries, the Government is now likely to approve Grand Metropolitan's bid while blocking Seagram's.

The Seagram camp says it is only because the company is foreign that it had to resort to the unusual notarised transaction. A French company, not requiring the minister's consent, could have done the same direct deal with the Firino Martell family and then registered it with the stock exchange, without arousing any complaint.

The stock exchange opinion is that the Martell deal does not constitute one of the defined cases – including notably a sale between two individuals or a conditional contract – where transactions in a quoted company may bypass the market.

Seagram and its financial advisers Lazard Freres claim, however, that their contract is conditional and thus exempt from the obligation to pass through the market. The deal's critics argue that this may make it legal, but no less objectionable.

"I would be astonished if the deal is juridically illegal, but this is really on the fringes of acceptability," says one senior Paris banker not involved in the battle. This view seems to be shared at the French Treasury, which might have the ultimate power to decide the issue.

The stock exchange, in announcing its opinion on the Martell deal, noted that the affair was being examined by the "competent authorities", notably the Treasury and the Commission des Operations de la Bourse, the stock market watchdog.

If Seagram were to win the battle, the prestigious Martell label would make it second to Moet Hennessy-Louis Vuitton in the cognac market as well as in the champagne sector, where it has the G.H. Mumm and Perrier-Jouet brands. Grand Metropolitan may be the largest drinks group in the world, just ahead of Seagram, but it does not have the same presence at the top end of the French range.

Many Paris financiers still expect that Lazards will work out a solution acceptable to the Treasury, which might then involve a public takeover contest between Seagram and Grand Metropolitan.

There are broader issues involved, however. To some Paris bankers, the stock exchange's action has seemed a final fling for the monopoly over share dealing given to the stockbrokers by Napoleon I.

The French stock exchange is now undergoing deregulation. Since January 1, the day after the stock exchange's official rebuke to Seagram, brokers' capital has been opened up to banks and other outside investors. The process will culminate in 1992 with the end of the brokers' closed shop.

Some cynics sneer at the apparent belief of the Paris authorities that they can change some aspects of the market's organisation while leaving intact other more comfortable elements, such as the fixed commissions scale and the insistence that all deals must pass through a central exchange.

For Mr Edouard Balladur, the Finance Minister, there are two other issues of principle alongside the question of whether Seagram's deal bypassed the stock exchange monopoly.

The first is the protection of minority shareholders: the number of small investors has tripled to an estimated 6m over the past year, in the wake of the Government's privatisation campaign. Unaccustomed to the ups and downs of the market, they are feeling jaundiced about the stock exchange since the October crash.

The Seagram deal with the Firino Martell family envisages offering the same conditions – FFr2,500 (£250) a share, valuing the company at about FFr3.8bn – to all other shareholders. Yet this would deny investors the opportunity of accepting a higher offer from Grand Metropolitan, which is ready to bid FFr2,675 a share.

The general perception is of the big players wheeling and dealing behind the scenes and presenting small investors with a *fait accompli*. The same feeling prevailed in the summer when Compagnie Generale d'Electricite (CGE), with 2.24m shareholders after its privatisation in May, acquired control of the media and forestry conglomerate Generale Occidentale from Sir James Goldsmith in a far from transparent deal.

Small shareholders again felt they were being left in the dark in September when Chargeurs, the transport and media group controlled by Mr Jerome Seydoux, bought up to 47 per cent of the textiles company Prouvost in the market in an unsuccessful attempt to gain control, without ever making an outright bid.

The second issue is the position of the stock exchange as it embarks on the reform carefully mapped out by the Treasury. With a substantial proportion of the trading in French shares – some estimate as much as 25 per cent for major stocks – already taking place in London, often through the subsidiaries of French banks, Paris has only a limited control over its own destiny.

The Treasury fears that the Martell deal could open a breach in its efforts to ensure that share trading remains within the closely supervised confines of the stock exchange. In the Martell case, the line may be held; but it may be more difficult in future to keep a finger in the dyke.

FOREIGN AFFAIRS

A year of decision for Germany

Edward Mortimer asks whether West Germany is ready to match its economic pre-eminence with political leadership

WEST GERMANY has just taken over the presidency of the European Community. To Chancellor Helmut Kohl and his Government falls the task of sorting out, *in extremis*, the tangle of agricultural and financial issues that bedevils the Community, and of giving a decisive push to the process of dismantling internal frontiers by 1992.

At the same time, economic decision-makers throughout the world are increasingly looking to West Germany for leadership in correcting the serious imbalances in the world economy; and Europe especially looks to it for the stimulus which is so badly needed to alleviate unemployment and avert the threat of recession. As last month's Economic Outlook from the Organisation for Economic Co-operation and Development reminded us, "Germany necessarily has a central role."

The same is true of the decisions and challenges facing Europe and Nato in the security field, although to a lesser extent because West Germany is not, and does not aspire to be, a nuclear power. Indeed, the country may have moved a step further away from that status by agreeing last August to scrap its Pershing 1A missiles, fitted with American nuclear warheads, to facilitate the US-Soviet treaty on intermediate-range nuclear forces.

But from another angle that treaty has accentuated West Germany's central position in Nato and in the East-West conflict, because – as the Germans plaintively point out – it means that the only non-strategic nuclear weapons still deployed by either side are short-range ones pointed at targets in either East or West Germany, and for the most part stationed in those two states. As Volker Ruehe, the Christian Democrat foreign affairs and defence spokesman, likes to put it: "The shorter the range, the deader the German."

West Germany remains not only the west European country where by far the largest number of Nato troops are deployed, but also the country that supplies the largest number of those troops: 488,000 men on active service, compared to 354,000 US servicemen deployed in Europe.

According to the International Institute of Strategic Studies, in 1986 West Germany ranked third among west European countries for the absolute amount it spent on defence. But as it is the country with the largest gross domestic product (GDP), it is inevitably seen as capable of doing better: in 1985 it spent only 3.2 per cent of GDP on defence – compared to 4.1 per cent for France, 5.2 per cent for Britain and 6.9 per cent for the US.

If, therefore, western Europe is to make a major effort to improve and modernise its conventional defences – something most experts regard as necessary, and rendered even *more so by the INF treaty* – that, too, is an area where West Germany will be expected to play a leading role. This means that the country is also at the heart of the effort to revive the Western European Union as an expression – and ideally as an instrument – of western Europe's collective will to defend itself in alliance with, rather than in pure dependence on, the US.

The Bonn Government is likewise bound to play a key role in deciding Nato strategy for talks with the Warsaw Pact on conventional stability and, in particular, in defining the relationship between those talks and the reduction of US and Soviet short-range nuclear systems, which Nato foreign ministers accepted as one of the alliance's objectives when they met in Reykjavik last June.

To complete the catalogue, the West Germans will have further important decisions to take about the nature and *extent of their defence co-operation* with France. This too is crucial for the future of Nato and of west European defence, since it has become the back door through which the structure and deployment of France's armed forces can be co-ordinated with those of her allies still inside the Nato military structure. Franco-German military integration is now acceptable to the French body politic, even though formal reintegration into Nato is not.

Over the next few months Bonn may well find itself confronted with new proposals in this area, floated as part of the French presidential election campaign – its reaction might even help to determine the outcome of the election.

It is a formidable array of challenges. West Germany is being called upon to assume a role of decisive leadership in Europe, economically, politically and to a large extent militarily, at a decisive moment in Europe's fortunes when it has simultaneously to respond to a new kind of Soviet challenge, to assume a role of equal partner rather than protege in the Western alliance, and to escape from economic stagnation by establishing with the US and Japan a new world economic and monetary equilibrium, as a basis for a renewed expansion of world trade and a reopening of development prospects for the Third World.

The question is not so much whether the Germans can do *all this* as whether they comprehend or accept the role that is required of them. To understand why, one has only to think for a moment about the country's history.

Germany was a latecomer as a nation-state and so to the game of international power politics. It came into existence in the late 19th century, encircled by already established powers which were intensely suspicious of its pretensions. They realised that a state which embraced all the German-speakers of Europe would be too strong a competitor both economically and militarily.

So the minimum ambition of other nationalisms – the unification in one state of all the speakers of the mother-tongue – was, from the start, denied to the Germans as a legitimate objective by their neighbours. Likewise the Germans' desire to expand commercially and politically outside Europe, emulating the other European powers, was regarded by those powers as a menace that must be thwarted.

Bismarck saw the danger and sought desperately to limit his countrymen's ambitions, to reassure the rival powers and to preserve peace by a network of carefully negotiated compromises. But under Wilhelm II, German patience snapped and national ambition was given free rein. As Bismarck feared, the country's aggressiveness eventually provoked a coalition of powers strong enough to defeat it. Humiliated and tied down after the First World War, the Germans reacted by embracing Hitler's fantasy of a purified nation-state triumphing over all its enemies and fashioning a new world order to accommodate its ambitions.

The result was so catastrophic as to destroy not only the German state but, for a generation at least, even the legitimacy of the very idea of German national pride or ambition – not only in the eyes of the rest of the world, but perhaps even more profoundly in those of the Germans themselves.

It was a West German politician, Franz-Josef Strauss, who long ago warned that the federal republic could not indefinitely combine the roles of economic giant and political dwarf. But, up to now, the outside world has found this arrangement more inconvenient than the majority of Germans have. It has hardly begun to dawn on the Germans that today, as in the late nineteenth century, their economic pre-eminence ultimately condemns them to exercise a degree of world leadership if they are to continue enjoying its benefits.

Happily the kind of leadership now required is very different from the crude assertion of power which was the norm a hundred years ago. But it is hardly surprising that the memory of those earlier attempts, burned deep into the German subconscious, makes it hard for today's West Germans to start thinking of themselves as a world power with world responsibilities.

Letters to the Editor

Prediction may be possible

From Dr P.Q. Collins.

Sir, Your correspondent, Martin Wolf, identifies two notable features of the international economy since 1972: monetary instability, and swings in the sources and destinations of international capital flows. He concludes almost wistfully that it may prove impossible, in practice, to restore predictability to policy.

It has been a fashionable view among economists during the post-war period that it is inconceivable that we could regain the long term financial stability experienced in the past, which Mr Wolf describes so well. However, although it is more or less unanimously accepted that a return to a rigid form of currency convertibility such as the classical gold standard would not achieve the same benefits as in the past, the principle of currency convertibility is in fact capable of much more flexible application than this. Moreover, *such a policy exerts its primary* stabilising influence *specifically* on the two outstanding problems identified by Mr Wolf.

Furthermore, the resumption of a conditional form of currency convertibility based on a range of commodities would have the effect of introducing a predictable component into economic and monetary policy, on a scale chosen by each government individually.

There is currently an outstanding opportunity for one of the major OECD countries to take the initiative in proposing (and demonstrating) a modern equivalent of the gold standard to provide a stable foundation for the next 50 years of global economic growth.

Patrick Collins,
The Management School,
Imperial College of Science and Technology,
53 Prince's Gate,
Exhibition Road, SW7

If intended for publication, letters to the Editor should include, where possible, a daytime telephone number.

The portents are not good

From Mr Roy A. Grantham

Sir, If one alters a percentage figure, all other figures in the series have to be altered so that the total is still 100. So analysis based on percentages of output, without regard to the overall value of the GNP of a country, must be flawed.

Britain now pays much more to its farmers and charges its consumers correspondingly more. This inevitably results in a higher output of farming products, the percentage contribution of which is then re-valued at the higher price.

Thus, in order to offset the deterioration in living standards caused by this percentage and price change, the country needs more of other goods and services. I was bitterly criticised by a banker when, early in the Thatcher era, I said in a lecture that Japanese financial services would overtake Britain's because of the enormous sums being generated by Japan's industrial production and trade surplus. This has happened, and the Japanese are now invading the City.

As we start to correct the excesses of the CAP, as our oil and coal output declines under present policies, the share of manufacturing in the GNP will rise in purely statistical terms. However, *if our living standards* are to increase towards those of our competitors, and if our ability to compete is to be increased, then our actual manufacturing output in our economy must increase.

The portents are not good. The basic education system in this country has been allowed to fall well behind that of all our European, Japanese and American competitors. The training system is inferior to that of any of our major industrial competitors. The unwillingness of employers *to invest in training is a scandal.* As the Japanese have shown, a well educated and trained population is the key to success in a technological society. Our policies predicate that Britain will go further backwards in the future; to keep on scrimping and saving on educational expenditure, in order to provide short term tax cuts, is the road to disaster.

The determined onslaught by the Chancellor on investment allowances has financed more imports, but ensures that British industry will continue to produce low value products that are less competitive in the world market.

The continued switch to taxation on output, through increasing the employer's National Insurance Contribution, and reducing the Treasury share of the cost of the National Insurance fund, is – like all taxes on output – wholly against the national interest. Mr Lawson's Conservative predecessors of the 19th century must be turning in their graves.

Roy Grantham,
General Secretary,
APEX,
22 Worple Road, SW19

St Paul's and the City community

From Mr David A. Bershtein.

Sir, An accolade is certainly due to the FT for publishing Alan Webster's beautiful essay ("Ensuring St Paul's counts in the City," December 29), the highest form of admonition by example that I have seen in any paper for some time.

While the Prince of Wales has permanently nominated St Paul's as the architectural conscience of the City, Dr Webster is quite right in taking the role literally, especially in that his view is emphatically catholic with a small "c". The second part of the equation surfaces in his illustration of the stock exchange, and its ghostly loss of community *after Big Bang.*

Busy people throw into the wastebin all the items in their post asking for money. Personal appeals which touch the good of companies and *their communities* are another thing.

If a group of people from a large City firm were invited to St Paul's, and encouraged to take part in community work, I believe they would.

Father Bruce's Convenant House in New York has been successful in attracting strong corporate support to help the children of the streets. You can appeal to fear and greed by direct mail, but not the heart.

David A. Bershtein,
Vice-president, Corroon and Black Corporation,
Wall Street Plaza,
New York

NHS aims are more than management

From Mr David Layton.

Sir, While I wholly agree with Christopher Gallop that the NHS needs clearly defined aims, these cannot be solely management concepts (Letters, December 15).

The medical profession has purposes which are modern versions of the Hippocratic oath; and nurses look at their task as one of caring. If those who aim to manage, and introduce efficiency, do not learn the fundamental purposes of health care from its practitioners, they will never gain the respect and confidence of those on the job.

David Layton,
18 Grove Terrace,
Highgate Road, NW5

Stumbling over Mr Bumble

From Mr Derek Wheatley.

Sir, I was pleased and honoured to see my article "Sauce for the Scot but not for the Sassenach" in the FT (December 23). My pleasure was marred by the translation, by your sub-editor, of Dickens's Mr Bumble from Oliver Twist, where he properly belongs, to Pickwick Papers, where he does not.

Derek Wheatley,
3 The Wardrobe,
Old Palace Yard,
Richmond, Surrey.

'We cannot just wish ourselves to another general equilibrium'

From Professor Alan Budd

Sir, If we live in a Keynesian world in which output is wholly determined by aggregate demand, then all that matters to us, so far as the US is concerned, is the size of its trade deficit. Whether it is a dustbowl or a thriving economy, in this sense, ceases to matter to us. This assumes that non-US domestic demand is fixed, and that total demand will therefore change according to the change in the non-US trade surplus.

In that approach we suffer if the US cuts its domestic demand (because that will improve its trade balance) or if it devalues (likewise). If our domestic demand is unchanged it does not matter - so far as our GDP is concerned - which way the US changes its trade deficit.

The crucial proviso is: "If our domestic demand is unchanged". If we lived in a neo-classical world of continuous full employment our GDP could not, by definition, be affected by changes in net trade (subject to a possible exception). Any changes in net trade would be accompanied by offsetting changes in domestic demand.

If the US cuts its trade deficit, non-US domestic demand must rise. But that is an ex-post result; it does not tell us how, or whether, the trade deficit can be cut. Trade deficits/surpluses are part of the general equilibrium of the world economy, and we cannot just wish ourselves to another general equilibrium with another set of deficits, although there may be a set of policy changes which brings such a change about.

If we live in a Keynesian world in the short term, and in a neo-classical world in the long term, we can certainly go back to our original conclusion that all that matters is the size of the US trade deficit; whereas on a longer-term view the US deficit (and the non-US surplus) is simply "crowding out" non-US domestic demand.

The possible exception is that if part of the US adjustment involves a fall in the real exchange rate of the dollar, there may be an improvement in the non-US terms of trade which would raise real disposable income relative to GDP, and which might have favourable supply effects on output and employment.

Alan Budd,
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London Business School,
Sussex Place,
Regent's Park, NW1.

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FINANCIAL TIMES

Tuesday January 5 1988

Susan Greenberg, recently in Budapest, on a situation that officially does not exist

Hungary tries to adjust to unemployment

HUNGARY'S drive for greater economic efficiency, a matter of increasing urgency in 1988, may stumble on the rock of unemployment. The lack of effective institutions to deal with change creates yet another obstacle to closing down the country's many inefficient enterprises.

The word unemployment is still barred from official use – the preferred term is "temporary restructuring of manpower" – but most people acknowledge that it exists. Demand for labour is falling steadily and mass sackings are in the pipeline.

Reliable figures do not exist, partly because there is little incentive to register as seeking work. And while unemployment is still very low by Western standards, the trend shows that it is growing. The number of people officially registered as seeking work in the third quarter of last year was 10,465, according to government statistics. The figure was 7,595 in the same period of 1986.

Mr Janos Kollo and Mr Karoly Fazekas of the Hungarian Institute of Economics recently completed an analysis of the Hungarian labour market, probably the only one of its kind. They found that although the total number of official vacancies (55,473 in the third quarter of 1987) seems to exceed the number of job seekers, the two do not match up *in location, age, sex or skills* demanded for the jobs on offer.

In some ways the picture is surprisingly similar to Western Europe. Unemployment is concentrated in towns like Ozd and Miskolc in the north, which are dominated by declining heavy industries such as coal and iron.

Those selected first for the sack are similar; the older and unfit, young and rootless, women with young children or people from an ethnic minority such as gypsies. Many are unable to move to find work, such as women who help to tend the *family plot*.

The biggest difference from the West is the scale of the problem. About 800 people were made redundant in Hungary's first and only mass dismissal to date in 1979, by the Raba engineering concern; in West Germany, for example, a company of Raba's size has been dismissing on average up to 600 people every year. Even mass dismissals planned for the future are unlikely to match the West, according to Mr Tamas Bauer at the Institute of Economics. Hungary cannot substitute too much home production with imports, he says, "because we haven't got the hard currency."

Economists studying the country's sharply worsening balance of trade and gross national product have long argued that resources should be switched from declining industries to more profitable and efficient ones. This has been acknowledged in a series of decisions by the Hungarian leadership.

The Government announced recently, for example, it would *reduce subsidies to state companies* and farms in 1988 by 45bn forints (almost $1bn) and that up to 1,500 workers would be made redundant at Ganz-Mavag, a major engineering company. Up to 3,000 jobs are expected to be lost at the Ozd metalworks alone.

But officials know that if economic policy was enforced tomorrow there would be no guarantee that the state could keep its promise to offer alternative employment of a similar type, location and pay (not less than 90 per cent of previous salary). Neither would there be an effective safety net for the ensuing upheaval.

As a result of this and other contradictions, decisions are slow to be translated into action. In 1984, for example, according to Mr Laszlo Antal – until recently head of the Institute of Financial Economics – the Government declared it would hold back subsidies: "In the next two years subsidies increased by up to 40 per cent."

Most economists consider establishment of a Western-style *unemployment benefit essential* to the success of economic reforms, but this argument is resisted by many powerful groups. The Labour Office argues, for example, that it is better to use funds on a more ad hoc basis; others that people would want to live off the handout. At bottom probably lies the fear that a Hungarian dole would mean acknowledging the end of full employment as an achievement of socialism.

The party does recognise a problem. Existing provisions for *regional development*, retraining and re-employment have been channelled into a single 1.5bn forint Employment Fund. According to Mr Fasekas, however, the fund is "ridiculously low, enough to create a few hundred jobs in communal work."

The Finance Ministry has also commissioned feasibility studies into a social security scheme. At present the welfare system exists only for those in employment and for some groups of self-employed craftsmen. The first private insurance company, established last year, opened an *alternative door but private pensions* still do not exist.

Early retirement was introduced experimentally for 500 workers at Ozd recently and is scheduled to start on a national scale this month. There is a communal work scheme but it has low status since it started as a rehabilitation scheme for ex-offenders.

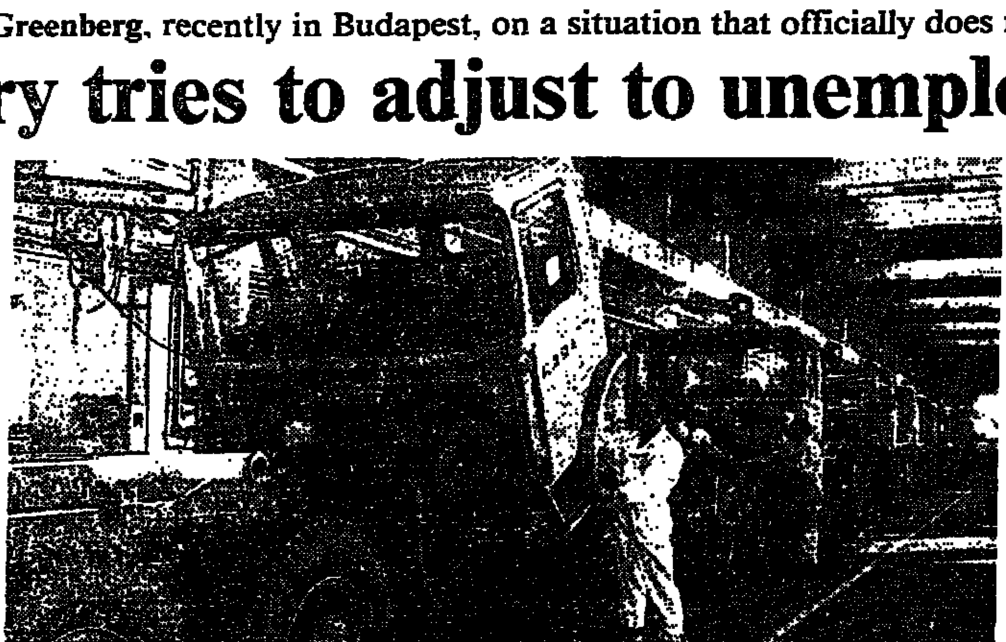
"*Relocation benefit*," usually paid for six months in lieu of notice, has existed since 1986 for people sacked in groups of 10 or more, but companies are suspected of trying to avoid this obligation by sacking people one by one...or nine by nine. This has sparked a national debate, with calls in the press to improve terms and the take-up rate, but so far there have been no official promises.

Mr Peter Fahn, a senior official at the Council of Trade Unions, said the unions had to "take their share of the blame" for the *delay in tackling redundant companies*. Now he heads the council's efforts to draw up plans and guidelines, for example on improving the amount of notice given of a closure.

But, particularly at the local level where changes are implemented, the unions are generally considered to be part of the establishment with little interest in making waves. Most of the people made redundant at Raba, interviewed by Mr Kollo and Mr Fasekas, complained about the "casual" way the redundancies were carried out but only 2.5 per cent went to their union to seek help.

This lack of confidence is widely acknowledged by those arguing for broader representation to express and channel untapped discontent, which they expect to grow as living standards drop.

The problem is fundamentally a political one. Those in the party calling for political as well as economic reform recognise that the trade unions and other institutions are not up to the conflicts ahead. It is still unclear, however, how far the party will go *in allowing anything as* shocking as an independent trade union – or a march for jobs.

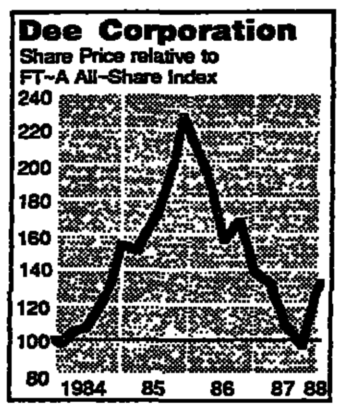


Hungary's Raba engineering works, scene of the country's only mass dismissal, when around 800 workers were laid off in 1979

THE LEX COLUMN

Dee's counter argument

The Tokyo stock market did not collapse as feared on its return from the long holidays yesterday, and the world's central banks repelled a fresh assault on the dollar far more successfully than they had done last week, helping equity prices rally strongly on the hope that the dollar may be stabilising after its recent sharp slide.



Dee

Barker & Dobson's bid for Dee may not look the sure thing it did at the outset, but the market still seems to rate it as an odds on favourite. At yesterday's close of 209p Dee stood 6 per cent below the offer price, making no more than due allowance for the outside risk of a monopolies reference and the highly speculative nature of Barker & Dobson's shares should the bid go through.

The latter point is touched on in the document put out by Dee yesterday, but is rather obscured by a lengthy defence of Dee's own record. Though understandable in view of the flak the company has taken in recent months, this could be poor tactics. The comparison between Gateway and Budgen raises as many points as it settles, and it is the financing of the deal which constitutes the chief weakness in Barker & Dobson's case.

This is partly a matter of the stringent terms imposed by the lending banks. If B & D is to repay 35 per cent of a £1.6bn loan within 18 months, it would have to put the asset disposal *programme in hand very* promptly indeed; and as Asda and others have found recently, disposing of retail assets may not be as easy as it looks. Then again, if retaining the non-Gateway bits is the weakest part of Dee's commercial case, selling the superstores is the weakest part of B & D's. There may be something in the argument that superstores and small grocery shops do not belong under the same banner, but it could equally be argued that B & D aims to sell the growth bits of Gateway expensively so that it *can buy the non-growth bits* cheap.

But in the end, cash is hard to argue with these days. The immensely geared nature of the deal means that the share part of the offer would end up being worth either a great deal or nothing at all; but as the institutions have found to their cost, Dee shares are not cast-iron either.

BTR/ACI

BTR's joint bid for the Australian conglomerate and perennial bid target ACI is something of an oddity. The vehicle for the A$1.6bn bid has been structured in inverse proportion to the two companies' ability to finance it, with BTR Nylex claiming a modest 15 per cent stake, and Aussie entrepreneur *Dick Pratt putting* up for the lumpy remainder. Still odder, it is the managing director of BTR Nylex rather than Mr Pratt who is to run the new group.

The only way of making sense of the deal is to assume that the spoils will be divided between the two groups. Even then it is hard to see BTR being satisfied with just 15 per cent of the whole, as ACI's specialist plastics businesses fit well with its own, while its float glass and automotive glass interests must look more than tempting. Meanwhile *Mr Pratt may have his eye on* the packaging operations, which could be slotted into his own packaging empire.

For such jewels the two are prepared pay 15 times this year's earnings, half as much again as the industrial average, offering just 11 per cent less than the company was worth at the top of the market. But ACI's strong cash flow and its near monopoly in the float glass market may justify such a price; and in any case, if the bid succeeds, BTR will have the satisfaction of working in harmonious partnership with Pilkington, with which ACI shares its float glass business.

Pearl Assurance

Once again, the sight of an Aussie fin poking above the waves has done its bit for share prices in the UK life assurance sector. But if the market is expecting a re-run of the Ron Brierley/Compagnie du Midi battle over Equity & Law, it could well be frustrated – at least in the short term.

The object of fellow Antipodean Larry Adler's attentions, the life company Pearl, can expect other suitors. Seen as a bid target for years, it has hidden reserves whose scale is only vaguely suggested by the £2.6bn it holds as investment reserves, and has outperformed the market with a vengeance since the crash. But it also has a field force of 6,000 unionised agents collecting tiny weekly sums door to door from thousands of Brit*ish homes; potential bidders may* have difficulty imagining the bicycle as the engine of the financial services revolution.

The man from the Pearl may well find himself with a new boss in the end – quite likely a Continental, possibly a Frenchman. With the 1992 deadline for the EC single market on the horizon, French insurers are particularly keen to improve their European spread. But the timing is inauspicious – the hitch in France's privatisation programme will delay the grander plans of the nationalised insurers – and the *$1bn-plus price tag* may put off other bidders. Mr Brierley took a year to pull off his Equity & Law coup; Mr Adler would be lucky to manage in less.

RMC Lonestar

RMC's decision to join the growing list of European companies which seem to have an insatiable appetite for US cement companies seems slightly odd at first sight. If the US is heading for a recession, now would not seem to be the best time to take *a stake in a highly cyclical* industry, especially since its joint venture with the cash-strapped Lone Star Industries is based in Nothern California – the smaller and slower growing part of the giant West Coast market.

However, RMC has used the stock market crash to renegotiate finer terms for itself, and a $29.5m investment for a half share in an integrated company, which has substantial market shares in cement, aggregates and concrete, does not look too expensive. While not disputing the *lacklustre growth prospects* in the short-term, RMC is betting that its new cement operations, in particular, will benefit from Hanson's recent acquisition of the neighbouring Kaiser Cement, where profit rather than market share is the order of the day. But given the highly geared nature of the new venture – net worth of $110m supports projected borrowings of around $140m plus lease payments – RMC Lonestar is unlikely to have much impact on RMC's bottom line for some years.

FAI takes stake in Pearl

By Nick Bunker in London

FAI INSURANCES, led by Mr Larry Adler, the Australian corporate raider, has emerged as the holder of a 5.43 per cent stake in Pearl Group, one of the UK's biggest home-service life assurers.

An announcement from FAI to the Australian Stock Exchange yesterday ended weeks of speculation about the identity of a buyer rumoured to be amassing a large holding.

FAI is now Pearl's biggest shareholder, and the only one with more than 5 per cent.

Mr Adler, FAI's chairman, said the company had bought 750,000 *Pearl shares on December 29*, giving it 9.785m in all.

He said in a letter to Mr Einion Holland, Pearl's chairman, that "we look forward to a happy and prosperous association".

Pearl's share price had risen from about 340p ($6.35) at the end of October to 454p before the New Year holiday, prompted by the signs of substantial buying. It climbed another 11p yesterday to close at 465p, valuing FAI's stake at about £45.5m.

Mr Stanley Maitland, Pearl's general manager (investments), said he knew before Christmas *that FAI had a stake, but it had* been "much smaller" than the 5 per cent level at which holdings must be disclosed.

Asked how Pearl viewed Mr Adler's stake he said: "We have no views either for or against."

He scorned comparisons with Hill Samuel, the UK merchant banking group, in which Mr Adler built up a stake of almost 15 per cent a year ago.

Hill Samuel subsequently negotiated a friendly takeover by TSB, the UK banking group.

Some City of London analysts had named Pearl as a possible takeover target, in part because its long history and its conservative valuation of assets and liabilities have given it a financial strength which at times has not been reflected in its share price.

At the end of 1986, the market value of its life funds was £5.34bn, including investment reserves of £2.64bn

One big impediment to any bid, however, is that Pearl has 4,500 insurance agents involved in door-to-door premium collection.

BTR and Australian investor join in A$1.6bn bid for ACI

BY CHRIS SHERWELL IN SYDNEY

THE AUSTRALIAN subsidiary of Britain's BTR group yesterday joined Mr Richard Pratt, a wealthy Melbourne entrepreneur, to launch a A$1.58bn (US$1.14bn) takeover bid for ACI International, the country's 20th biggest company.

ACI is a packaging, building products and glass manufacturer. Its glass operations are the largest in Australia and are conducted through a joint venture with Pilkington – the UK company which itself fought off a BTR bid a year ago.

The cash offer marks the beginning of a fresh phase of uncertainty for ACI, which also has timber and ceramics operations and interests in resources, notably coal. With its unstable share register, the company has long been a focus of takeover speculation.

In its first response, ACI said the offer price of A$4 a share did not represent the true value of its shares and included no premium for control of such a large group. It urged shareholders not to sell their shares.

The bid vehicle, known as Austrac Investments, is 85.2 per cent owned by the Pratt Group, a private company controlled by Mr Pratt. The remainder is held by BTR Nylex, BTR's 60 per cent-owned Australian subsidiary.

Mr Pratt already controls 15 per cent of ACI. Other major shareholders include the Westfield group, with 20 per cent, the AMP Society with 13 per cent, and Henley Group of the US with 6 per cent. Singapore's Oversea-Chinese Banking Corporation also holds about 6 per cent.

Austrac said it intended to continue ACI's existing business activities, but the possibility that a successful bid would lead to the company's break-up could not be ruled out.

The Pratt group's core business is packaging and paper recycling. BTR Nylex, apart from manufacturing such industrial items as conveyor belts and gearboxes, is involved in plastics and would be interested in ACI's similar operations.

Mr Alan Jackson, BTR Nylex's managing director, said yesterday that Austrac would "review the activities and assets of ACI to evaluate their performance and profitability and the potential for rationalisation."

The offer values ACI well in excess of ACI's net tangible assets of A$1.04bn. The price is equivalent to nearly 17 times 1987 after-tax earnings, well above the average for Australian industrial stocks.

The price also compares with a low point after the October share market collapse of A$2.90. Since then speculation about a fresh takeover move has pushed the share price higher. It reached A$3.85 last Thursday and added 15 cents more yesterday to match the offer level.

The bid is subject to a minimum 50 per cent acceptance condition. A comparable offer will be made for ACI's partly-paid shares.

ACI was last subject to a takeover attempt when Mr Allan Hawkins' Equiticorp Tasman made a partial bid in 1986. That ended with Equiticorp selling its 19.9 per cent stake to the Pratt Group.

At the same time, Westfield Capital lifted its stake to 15 per cent and bought 5 per cent more from Mr Pratt. Uncertainty about ACI's future has persisted ever since.

UK group to buy inks subsidiary

By Paul Betts in Paris and Fiona Thompson in London

THE FRENCH state-owned chemicals group, CdF-Chimie, has agreed to sell its industrial inks subsidiary Lorilleux International to Coates Brothers, the UK printing inks manufacturer.

The sale was disclosed in the French Government's official journal and appears to have embarrassed both companies because final negotiations have not been completed.

CdF-Chimie said last night that it was in talks with Coates, but declined to give further details. Coates said the statement by the French Government was "premature, incomplete and not entirely accurate," but confirmed it was in negotiations with CdF about an acquisition and said an announcement was likely tomorrow.

It is understood that in exchange for the the sale of Lorilleux, CdF–Chimie will receive a 33.4 per cent stake in the enlarged Coates/Lorilleux group. Coates is valued at £115.8m ($216.5m) at yesterday's suspension share price of 335p for the company's 17m ordinary shares and 250p for the 23m "A" non-voting shares. Lorilleux has annual sales of about FFr1bn ($186.77m), and is one of the main European ink producers. It has 12 subsidiaries in Europe and Latin America and 17 per cent of its turnover is outside France.

The sale took the French market by surprise yesterday because the CdF-Chimie had until recently appeared intent on developing its inks business by opening its capital to outside shareholders.

This had led to the entry into Lorilleux of Paribas, the privatised French banking group, which acquired convertible bonds and bonds with equity warrants in Lorilleux. If converted, these instruments would give Paribas a stake of about 20 per cent in Lorilleux.

However, CdF-Chimie, which recently returned to profit after eight years of heavy losses, has been in the throes of major restructuring including the shedding of a number of assets.

Intervention stabilises dollar

Continued from Page 1

1,747 in low turnover. The FT Ordinary Index closed 28.7 higher at 1,402.

Shares in New York were helped by the release of figures for construction spending in November and a private forecast of December retail sales. The Dow Jones industrial average closed 76.42 points higher at 2,015.25. More than 180m shares changed hands, *signalling* a return to more normal levels of activity after the holiday break and making the rally that much more convincing.

The US bond market, which had opened more than a full percentage point higher in reaction to the dollar's recovery from its record lows, fell back as equity prices surged. The US Treasury's 30-year benchmark issue closed only around 5/16 higher with a yield of 8.95 per cent.

Yesterday's intervention in the currency markets is estimated to have been in excess of $1bn. Most of these official dollar purchases were made by the Bank of Japan before European trading opened.

In Europe, the Bundesbank, the West German central bank, was active in foreign exchange markets throughout the day. Dealers estimated that it bought upwards of $200m. The Swiss National Bank and the Bank of Italy bought modest amounts of dollars.

Central bankers are aware that there are limits to intervention. But there is a hope in official circles that key economic indicators which currency markets watch, such as the US trade figures, will soon begin to show signs of improvement.

Analysts and dealers, however, said *it was a matter of time* before the markets again made an assult on the dollar. But they said levels of Y120 and DM1.57 were key psychological and technical levels and that any move through them would have to be preceded by some dramatic development.

In London the dollar closed at *DM1.5850* compared with DM1.5740 on New Year's Eve and at Y122.75 compared with Y121.35.

The pound closed at $1.8760 compared with $1.8785 and at DM2.9750 compared with DM2.96. The Bank of England's trade-weighted sterling index closed at 75.9 compared with 75.8 on New Year's Eve.

In New York, the dollar closed at DM1.5885 and at Y123.0. Sterling finished the day at $1.875.

World Weather

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sn-Snow T-Thunder

British banks near tax victory

Continued from Page 1

The scheme would be used when calculating provisions for tax purposes, the Revenue said yesterday.

Individual tax inspectors, who operate with a high degree of autonomy, have already written to tax advisers explaining how they will apply it.

Under the scheme, a score is attributed to each country *depending on economic and* other factors. For instance, 10 points are scored if the country is in arrears with the International Monetary Fund or has rescheduled since 1983, while over-dependence on a single export attracts only two points.

The total number of points provides an indication of the level of provision needed. A score of between 25 and 40 requires a provision of between 16 and 25 per cent, for instance.

Tax inspectors say they will accept only elements *in the* scheme which relate to the ultimate recoverability of a debt, rather than those that relate to a country's ability to service it. The existence of a moratorium, for instance, will be ignored for tax purposes.

"The purpose (of the scheme) is regulatory/prudential, and therefore there can be no assumption that the figures would be allowable for tax," the Revenue said. "But it is certainly another piece of information, and a systematic one. It would be nonsense for us to ignore it."

Taking into account the differences between the regulatory and tax concerns, inspectors have already estimated a discount of between 10 and 20 per cent of a bank's provisions.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday January 5 1988

Lone Star raises $225m from sale of US cement stakes

BY JAMES BUCHAN IN NEW YORK AND CLAY HARRIS IN LONDON

LONE STAR INDUSTRIES, the largest US cement producer, is raising $225m from the sale of 50 per cent stakes in two large cement and aggregates operations on the West Coast.

The transactions, which were completed on December 31, strengthen the foreign control of the US cement industry. Overseas companies are now said to control 60 per cent of the sector.

Lone Star, which is expected to lose money from operations for the third year running in 1988, said yesterday that the joint ventures with RMC Group of the UK and Onoda Cement of Japan would have a "positive impact" on its 1987 earnings.

RMC paid $55m for a 50 per cent interest in an integrated construction materials business which includes the second largest cement producer in northern California as well as aggregates and concrete operations.

Lone Star also said it was selling 50 per cent of its operations in Alaska, Washington and Oregon to Onoda for $60m. The joint venture, known as Lone Star Northwest, will include all Lone Star's concrete and aggregate operations and its import terminals in the three states.

In California, Lone Star is selling fixed assets worth $220m to the new venture, RMC Lonestar. In addition to RMC's payment of $55m, to be funded through UK-based sterling borrowing, Lone Star will receive $110m through borrowing by the partnership.

The deal gives RMC its first cement and aggregates operations in the US, where its exposure has been limited to ready-mixed concrete and concrete products businesses in four south-eastern states, contributing an estimated $180m to $200m in sales in 1987.

Total turnover of RMC Lonestar is estimated at $220m. RMC declined to provide historic profit figures, which it said would not be meaningful because Lone Star had acquired most of the concrete plants within the past 18 months and the operation had been run as an

Jim Owen: 'Hanson is our competitor'

integrated business for less than a year.

In 1986, the Lone Star plant claimed 27 per cent of the regional market, second only to Kaiser Cement, which has concentrated on margin rather than market share since its acquisition by Hanson late in 1986.

Mr Jim Owen, RMC managing director, said: "I look on it as a very bull point that our principal competitor in that market is Hanson."

Although formerly an outspoken critic of the foreign invasion of the US industry, Lone Star in recent years has sold plants to a number of overseas companies, including Holderbank, the Swiss-based world leader in cement production, and Britain's Tarmac, which paid $225m in November 1986 for a 60 per cent stake in a joint venture similar to those announced yesterday.

Lone Star, which sought to dominate the US market through a string of acquisitions in the 1970s, saw its strategy go awry. Cheap imports into Texas, Oklahoma and Louisiana have destroyed profits.

In 1986, Lone Star reported net income of $117.4m on sales revenues of $883.4m. But the earnings depended on a capital gain of $138.6m, largely through the sale to Tarmac.

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Canada's shy moguls complete their jigsaw

Deregulation has enabled two Canadian entrepreneurs to build Central Capital into a national financial force. Now its many different parts must learn to operate in harness, reports ROBERT GIBBENS in Montreal.

TWO OF Canada's shyest entrepreneurs have achieved their ambition of creating a coast-to-coast financial services group with assets of more than C$10bn (US$7.75bn).

Mr Leonard Ellen, 62, a well-known Montreal lumber dealer, and his partner Mr Reuben Cohen, 66, a lawyer from Moncton, New Brunswick in the Maritimes, have made their Central Capital Corporation group into a national force to be reckoned with.

The task has taken almost 30 years, but deregulation of the Canadian financial services industry enabled them to bring off the final coup last year.

Central Capital's core activities now embrace trust company operations, mutual funds, property development, consumer credit, brokerage, merchant banking and mortgage insurance. It may sell its property and casualty insurance interests if the price is right.

Mr Ellen and Mr Cohen, who perennially decline interviews, have 34 per cent of Central Capital, the holding company for their diverse empire. They have battled against powerful entrenched family interests in Eastern Canada, sometimes in lengthy and bitter litigation, to win control of the key Maritimes trust company.

The final pieces of the jigsaw puzzle were put in place early last year, when Central Capital bought Guaranty Trust Company of Canada and its parent Traders Group for C$440m from the McCutcheon family of Toronto. This financial services group doubled Central Capital's assets overnight to C$10bn and brought with it the insurance interests among other subsidiaries.

Since then Central Capital has taken up another trust company in western Canada and control of Marathon Brown, a large Toronto-based discount broker.

In 1986, as its expansion strategy was unfolding, Central Capital took on Mr Peter Cole, a former senior executive with Canadian Imperial Bank of Commerce, as president. He is backed by Mr Thomas Hodgson, senior vice president, and several other leading financial services talents.

Mr Ellen and Mr Cohen participate in strategy, "but their style is akin to Peter and Edward Bronfman with their Brascan and Trilon Financial holding companies," says Mr Harold Wolkin, financial services analyst with Nesbitt Thomson, a leading Canadian securities firm recently acquired by Bank of Montreal. "Central Capital is professionally managed and ownership is not an issue for the future."

Central Capital's acquisition binge of the past year, costing nearly C$1bn and at top-drawer prices, has invited some scepticism in the market. Many different companies must learn to work in harness, including two separate trust companies, and an efficient financial services group must emerge able to compete with Trilon, Power Financial Corporation, and the Laurentian Group, among others.

Most analysts believe Central Capital will handle the consolidation effectively and concentrate on quality of services. It has just sold a British mortgage subsidiary, but is retaining Central Capital Mortgage in London as a licensed deposit-taking institution and a merchant bank.

Mr Wolkin estimates Central Capital's consolidated earnings for all 1987, including the recent acquisition, at around C$100m or 85 cents a share on a fully diluted basis. Comparisons are difficult because of the acquisition programme, and the market eagerly awaits up-to-date financial statements.

The main driving forces for performance in 1988 will be the trust company operations and the mortgage insurance business. Central Capital also owns two major industrial investments, one of which is a good dividend payer.

Mr Cole says Central Capital will concentrate on building its financial services subsidiaries into a cohesive operation, a task that could take up to two years despite compatibility of computer systems.

But he agrees that another trust company acquisition is possible over the next year, and he will not miss any other favourable opportunities. The property and casualty insurance interests, if they could command a price of around C$100m, might be sold to pay down group debt estimated at around C$200m. This would also reassure the market.

Renault director replaced in reshuffle

By Paul Betts in Paris

MR RAYMOND LEVY, the chairman of Renault, announced yesterday a series of changes at the top of the car group's management including the departure of Mr Jose Dedeurwaerder, the company's commercial director and one of the architects of Renault's unhappy adventure in the US market.

Mr Dedeurwaerder's resignation did not come altogether as a surprise as he was known to have had differences of opinion with Mr Levy over the management of the car group.

Mr Dedeurwaerder, a Belgian, had run Renault's car operations in the US for about five years and was the chief Renault executive at American Motors (AMC).

Mr Dedeurwaerder is known to have been disappointed by Mr Levy's decision to sell Renault's controlling stake in AMC to Chrysler last year, although he is understood to have accepted the economic reasons for the sale of the AMC stake.

Mr Dedeurwaerder will now be replaced as commercial director by Mr Paul Percie du Sert, the group's financial director since 1984. Mr Louis Schweitzer, the Chef de Cabinet of Mr Laurent Fabius, the former Socialist Prime Minister, will act for the time being as interim financial director. Mr Schweitzer joined Renault two years ago.

Mr Levy also announced that Mr Patrick Faure, Renault's external relations and communications director, had been promoted as the group's secretary general.

The changes reflect Mr Levy's efforts to set up a small and tightly knit top management structure.

After several years of heavy losses, Renault is now expected to report profits of about FFr3.5bn ($655.4m) for last year following extensive restructuring.

Mr Levy, who took over as chairman last year, has pursued the recovery strategy launched by his predecessor Mr Georges Besse, who was killed by terrorists in November 1986.

Reed resigns position as president of Conrail

BY RODERICK ORAM IN NEW YORK

MR STUART REED has resigned as president and chief operating officer of Conrail, the US railway holding company sold to the public for $1.65bn earlier this year, because he was passed over for the job of chief executive.

The formerly government-owned company said on New Year's Eve that he was leaving "to help facilitate the selection of a new chief executive."

Mr Stanley Crane, the current chairman, is due to retire at the end of this year.

It is thought he wants his successor to work under him as president for a period before he leaves.

Mr Reed, 62, had hoped he was a candidate for chairman. He joined Conrail in 1979 after a long career at Ford Motor and American Motors.

Mr Reed had worked with Mr Crane to turn round Conrail, which was created in 1976 out of six bankrupt US railway companies.

The Government has poured more than $6bn into Conrail, whose operating performance improved dramatically enough to permit the share offer.

The public now holds 85 per cent of the shares and employees 15 per cent.

● Westinghouse Electric, the US industrial and consumer products group, expects sales to grow 8.5 per cent in 1988 over the previous year and double-digit growth in earnings per share, **our financial staff writes.**

The forecast was made by Mr John Marous, the company's new chairman and chief executive officer, who like Mr Paul Lego, new president and chief operating officer, began his new job yesterday.

Move to alter terms for Dome preferred stock

By Robert Gibbens in Montreal

A GROUP of preferred stockholders in Dome Petroleum, the struggling Canadian energy groug, is seeking to upset part of Amoco Petroleum Canada's C$5.5bn (US$4.18bn) takeover of Dome.

At a court hearing in Calgary on January 26, they will oppose Amoco's proposal that Dome common and preferred shareholders vote together as a single group to approve the takeover, with a minimum of two-thirds of the Dome vote required.

The preferred holders say this proposal would water down their voting rights. They want separate votes for all classes of Dome shareholders.

Miami doctor buys 5% of American Medical

BY OUR FINANCIAL STAFF

MR M. LEE PEARCE, a Miami physician, has acquired 4.4m shares or 5.4 per cent of American Medical International, the large US hospital management group, for investment purposes at an average price of $13.67 per share.

Mr Pearce is a physician who heads an acute care hospital and a health care management and consulting company, General Health LP.

He said he presently intends to support the current American Medical board for re-election at the January 21 annual meeting and intends to make recommendations to management and the board on improving performance and increasing shareholder values. American Medical operates more than 100 hospitals in 14 states.

● **Dow Jones**, the US publishing group which owns the Wall Street Journal, has agreed to sell Richard D. Irwin, its college text-book-publishing subsidiary, to **Times Mirror** for $135m.

Dow Jones said the sale was the result of its decision to focus its resources more fully on its core operations: business newspapers and periodicals, electronic business information services and community newspapers.

Mr Warren H. Phillips and Mr Ray Shaw, chairman and president respectively of Dow Jones, said: "The decision to sell Irwin was predicated on our ability to select a buyer who would continue to operate the company as a separate business, who would respect its traditions...Times Mirror was our first choice."

● **Rite Aid**, the US drugstore chain, lifted third-quarter net profits from $17.4m or 42 cents a share to $20.2m or 49 cents.

Tim Coone on participants in Argentina's debt-for-equity scheme

Italian bank upstages Cicciolina

ILLONA STALLER, more popularly known as Cicciolina, the now-famous deputy of the Italian parliament and porn movie star, may shortly move into the realms of international finance by becoming one of the first participants in Argentina's new debt-for-equity swap scheme, alongside the more prosaic Banco Nazionale del Lavoro, Italy's largest bank.

The deputy and film star is scheduled to make her debut in Argentina next month, staging several live shows following which a chain of short-stay "Cicciolina" hotels is planned to be opened with $750,000 of Italian investment.

The idea is to screen her films in the hotel bedrooms on video, establishing a chain of "love hotels" of a type already popular in Brazil. The recent trade and investment accords signed between Argentina and Italy, in which the debt capitalisation scheme is to play a major role in *promoting* Italian investments in Argentina and the repatriation of Argentine capital deposited abroad, is expected to be utilised *by the Cicciolina project.*

Upstaging Cicciolina, however, the Banco Nazionale del Lavoro has already successfully negotiated the use of the debt-for-equity swap scheme in its takeover of the liquidated Argentine bank, Banco de Italia y Rio de La Plata. The $60m deal has utilised some $20m in swapped paper, for which the Italian bank has reportedly received the full 100 per cent nominal value of the converted paper. With this it has partially recapitalised the Argentine bank.

The deal has already bypassed the procedure laid down by the Argentine central bank for investors in the debt-for-equity scheme, in that Banco Nazionale del Lavoro is not required to tender for the first quota of the scheme, announced last month.

After 18 months of wrangling with the foreign banks, the Argentine Government eased the restrictions on its proposed debt-swap scheme last October, dropping a clause that each $1 in paper swapped for local currency had to be matched with $1 of fresh investment.

Under the scheme, Argentine permits up to 70 per cent of an eligible project to be financed by converted debt paper (excluding imported goods). In addition, market rates will be used to calculate currency conversions. As a result, there has been a flood of interest in the scheme, according to foreign bankers in Buenos Aires. At least 60 projects are known to have been presented to the Economy Ministry for approval.

Eligible projects

Approval requires that certain criteria are met, namely that the scheme increases total output of goods or services, and preferably that the project should have an export bias, although that is not essential. In essence, eligible projects must be new projects or expansions of existing ones and contribute to a real expansion of Argentine GDP. They must not simply comprise paper transactions or transfers of ownership.

Once approved, projects are then free to compete in tenders every two months for a quota, which in the first tender is fixed at $50m. The bid period for the first tender closes next Monday.

A minimum discount rate – which is a deduction from the nominal value of the swapped paper – is also set by the central bank. Both the quota and the discount rate may be varied in subsequent bidding rounds, depending on the priorities of monetary policy, according to Mr Daniel Marx, a director of the central bank.

The first tender sets a minimum discount rate of 25 per cent. Offers accepting the largest discounts will be those that win the tender. Mr Marx said the level of discount in an offer would be the only criteria used in assessing an eligible bid.

Argentine debt paper is at present trading at some 30–35 per cent of its nominal value in the secondary market. If converted through the new swap scheme, even with a 25 per cent discount on conversion, the effective exchange rate is more *than double the free market rate,* making new investments through the scheme an attractive proposition, especially if there is only a minimal imported component.

Over a period of five years, a total of $1.9bn of debt is expected to be converted into new investments in Argentina. Big projects involving disbursement of funds over several years will be required to tender only once, the total sum being gradually subtracted from subsequent quotas. "This makes the Argentine scheme more flexible and advantageous to big investors," said Mr Marx.

Economic analysts in Buenos Aires say, however, that the scheme's success will still depend on other factors such as the general investment climate, exchange rate and interest rate policies, taxation rates, and alternative industrial promotion schemes.

Ambitious accords

Whether to opt for a debt-equity swap and accept the conditions involved, or to choose a regional promotion scheme with generous tax holidays, or simply not to invest at all – as many Argentinians have in the past chosen to do, favouring instead high-yield *government bonds* – is a decision that will keep many management boards busy in the coming months, both in Argentina and abroad.

Many expectations have been created by the ambitious Argentine-Italian accords – a total of *$5bn in new investments is* envisaged over the next five years – financed one-third through Italian government credits and the rest by private investors using their own funds and those available through the new debt-equity scheme.

Clearly optimism and rhetoric are part of the present atmosphere. But equally a trend has been set in motion. The advance guard in the shape of Banco Nazionale del Lavoro is already manoeuvring itself into place.

UOB sale gives Bank of America $70m gain

By Haig Simonian in Frankfurt

BANK OF AMERICA, the troubled US bank, expects to make an extraordinary pre-tax gain of about $70m for the fourth quarter of 1987 from the sale of its 41 per cent share in United Overseas Bank (UOB), the sixth biggest foreign-owned bank in Switzerland, to Bank Nationale de Paris (BNP) and Dresdner Bank, its two joint shareholders.

OUB, which made net profits of SFr35.9m ($28.1m) in 1986, has total assets of SFr3.3bn and about 500 employees. The bank specialises in financing international raw material trade and in fund management and banking for private clients. Apart from its head office in Geneva, it has branches in Lugano and London as well as a subsidiary in Luxembourg.

Following the deal, BNP will increase its stake in UOB from 41 per cent to 50 per cent, while Dresdner Bank's holding will rise from 18 per cent to 50 per cent. Neither bank has disclosed how much it is paying for the Bank of America holding.

The new co-owners say they are committed to maintaining OUB's independence, which they say does not compete with their own existing Swiss subsidiaries. Rather, they intend to develop their co-operation in international business and seek new activities.

The president of UOB's management board and executive committee will be Mr Juergen Sarrazin, a managing board member of Dresdner Bank responsible for international banking.

BankAmerica began talks on the disposal last spring. "The sale is part of our strategy to concentrate our international resources on serving the top tier of the institutional wholesale market," BankAmerica said yesterday.

Resumption of dealing proves subdued affair

BY CLARE PEARSON

EUROBOND dealers yesterday resumed formal market making after a two-week break, but initial activity was thin.

The Council of Reporting Dealers, the secondary market's rule-making body, had allowed dealers to stop making two-way prices to each other during the last two weeks in December, when investor interest in the market is at a seasonal low ebb.

But yesterday's resumption of dealing proved a subdued affair with continued uncertainty about the direction of the dollar making professionals and investors alike reluctant to participate.

The dollar plummetted in early trading but then bounced following central bank intervention, mainly from the Bank of Japan.

Some bond dealers said they felt the US currency might have reached its bottom for the time being, but overall a fear that it could fall lower continued to haunt the market. The release of US trade figures for November on January 15 is expected to be the next watershed in the dollar's fortunes.

As the currency rose yesterday, mark-ups in Eurodollar bond prices lagged those of US Treasury bonds. Five-year Eurobonds closed about ¼ percentage point higher, while 10-year issues firmed by about ⅜ points.

Eurosterling bond prices fell as sterling weakened against the D-Mark in early trading on the foreign exchange markets and gilts shed much of last week's gains.

Eurosterling prices ended the day about ¼ point lower than their close last Thursday. Dealers said yield differentials over gilts had widened by about 10 basis points during the two weeks the Eurosterling sector was effectively shut.

INTERNATIONAL BONDS

D-Mark bond markets – which had been closed last Thursday – saw active trading. Dealers were initially encouraged by the dollar's weakness but, though the currency later firmed, the the strength of US Treasury bond prices provided continued support to the D-Mark sector.

The average yield on domestic bonds fell by five basis points to 5.83 per cent. The 6⅜ per cent 10-year **Federal Government** bond, issued last October, was fixed at 100.30, 55 basis points higher than on December 30.

Dealers in D-Mark Eurobonds said they had received a stream of small buying orders mainly from domestic investors wishing to reinvest, following recent interest payments.

Most retail investors were concentrating on longer maturity bonds although, in the five-year area, a 5¾ per cent bond for **Ferrovie dello Stato** rose to 100.40, against 99¾ last Wednesday.

Seven and 10-year bonds achieved price gains up to ½ point.

Two new bonds appeared in the Swiss franc foreign bond market, both led by Swiss Bank Corporation. But Union Bank of Switzerland opted out of a co-management position in one of them, so becoming the first of the "Big Three" banks to take advantage of a relaxation of the main syndicate's rules announced last November.

The SFr75m bond was for a Netherlands unit of **Wuerth,** the West German tool manufacturer. The 10-year par-priced issue pays 5¼ per cent and was bid at less 1¼ in the grey market. Executives at Union Bank of Switzerland were not available to comment on reasons for turning down participation in the deal.

The other issue of the day was a SFr30m 4½-year 4½ per cent bond for **Primary Industry Bank of Australia.** This was priced at 100½. It was quoted at less 1 bid in grey market trading.

Seasoned Swiss franc bonds started the year in buoyant form and closed about ¼ point higher.

The major banks cut their rates for customer time deposits: the rate on three to eight-month deposits fell by ½ per cent to 2½, and nine to 12 months by ¼ per cent to 2¾ per cent. Meanwhile, six-month Euro Swiss franc rates continued to decline. The mid rate yesterday stood at 2⅞ per cent compared with 3⅜ per cent on December 23.

Total taps sterling CP market

BY ALEXANDER NICOLL, EUROMARKETS EDITOR

A £100m sterling commercial paper programme was announced yesterday for Total International, part of the Total petroleum group, which will become the first French borrower to tap the market.

Kleinwort Benson is arranging the programme with County NatWest as the other dealer.

The growth of the sterling commercial paper sector faltered in November, when the total outstanding at the end of the month slipped marginally to £2.335bn from £2.353bn at the end of October, according to Bank of England figures.

The market remained, however, more than four times its size at the end of 1986. New issues edged down from £2.07bn in October to £1.97bn in November and redemptions rose from £1.87bn to £1.99bn. The monetary sector's holdings rose £48m to £715m.

In the yen commercial paper market, Daiwa Europe has arranged a Y40bn programme for Citicorp with Nikko, Nomura and Yamaichi as dealers in addition to Daiwa and Citicorp.

Separately, **Pearson,** the diversified group which owns the Financial Times, has increased the committed portion of its £300m multiple-option facility to £250m from £200m. The facility was arranged by Samuel Montagu.

Among other completed deals, **Montgomery Ward** has arranged a $260m revolving credit through Swiss Bank Corporation International and Peugeot has refinanced a $350m *multi-option facility signed in* 1985. The arranger of the five-year extendible deal was J P Morgan Securities, formerly known as Morgan Guaranty Limited.

Bell & Howell non-core assets may be sold

By Our Financial Staff

A GROUP led by members of the Bass family of Texas, which organised *last month's* acquisition of Bell & Howell, said it is considering a sale of the software and publishing group's non-core assets to reduce debt incurred in connection with the acquisition.

This is disclosed in a filing with the Securities & Exchange Commission. Bell & Howell agreed in December to be acquired at $64 a share, or a total of $602m, by BHW Acquisition, which was set up by the Bass group and members of Bell & Howell's management.

Carlsberg talks to Reemtsma

BY HILARY BARNES IN COPENHAGEN

CARLSBERG, the Danish brewing group, confirmed yesterday that it was in talks with Reemtsma Cigarettenfabriken, a West German consumer products company.

However, Carlsberg would not confirm or deny German press reports that it planned to acquire Reemtsma's Hannen brewery in Westfalen.

The Danish group has an agreement with Reemtsma for licensed brewing and distribution of its beers in Germany. This agreement expires next September. "A renewal or some other arrangement is therefore being discussed," said Mr Ole Andreasen, Carlsberg's information manager, yesterday.

Carlsberg claims that its Tuborg brand is the leading imported beer in Germany with the Carlsberg brand not far behind in second place.

Carlsberg (the group recently announced that it was changing its name to Carlsberg from United Breweries), has internationalised rapidly over the past 10 or 15 years.

In Europe, it has acquired breweries in Italy and Spain in addition to the Carlsberg brewery in Northampton, England. Tuborg has a brewery in Turkey. Some 70 per cent of the group's beer is now sold outside Denmark.

Although Carlsberg has not openly declared its intention of acquiring a brewery in Germany, it is no secret that it takes a close interest in developments in the German market.

Reemtsma is based in Hamburg. It owns the Hannen brewery through its Deutscher Brau subsidiary.

Some 70 per cent of Carlsberg's sales, which for the year ended September 1987 totalled DKr9.1bn ($1.5bn), arise outside Denmark, either via direct exports or through licensing agreements. The company made a pre-tax profit of DKr617m last year, up from DKr764m in 1985-86.

The profits improvement was achieved in spite of weak trading in Italy and another substantial loss in Spain where the group had to absorb restructuring costs.

Kumagai (Hong Kong) on target

By Our Financial Staff

KUMAGAI GUMI (Hong Kong), the local arm of the Japanese construction giant, suffered a fall of nearly a quarter in net operating profits for the year to September, a period during which it spun off a minority to investors in the territory.

After-tax earnings were HK$76m (US$9.74m) compared with HK$99m. The outcome slightly exceeded the HK$75m forecast at the time of the flotation in May, however, and the setback was all but redressed at the attributable level with the inclusion of HK$19.3m in extraordinary credits where none were made the previous year.

The extraordinary earnings came from interest on the oversubscription to its public listing, which drew bids totalling HK$34bn for the HK$165m issue.

A final dividend of 27 cents is being paid from earnings per share of 35.7 cents.

Yu Ching Po, chairman, said the company's government contracts and small private projects were affected by increased competition in 1987. He added that a policy of emphasising large private projects allowed it to meet the earnings projections presented in its prospectus.

Christmas sales up at Toys "R" Us

By Our Financial Staff

TOYS "R" US, the largest US retailer of toys, said sales for its eight-week Christmas season from November 2 to December 27 rose by 30.2 per cent to $1.36bn, compared to $1.05bn last year.

Sales for the 11 months ended December 27 increased to $2.95bn, or 27.7 per cent more than the $2.31bn for the same period last year.

In a year-end letter to shareholders, Mr Charles Lazarus, chairman and chief executive, and Mr Norman Ricken, president and chief operating officer, said: "Our Christmas business was strong throughout the US.

"On a comparable store basis, our US toy store sales rose 12.3 per cent for the Christmas season and 9.6 per cent for the 11 months."

The executives said that "in addition to the excellent results achieved by our US toy stores, we also had strong sales increases in our international toy stores and in our Kids "R" Us children's clothing stores." They concluded: "Now we look forward to another record year in 1988."

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on January 4

US DOLLAR STRAIGHTS | YEN STRAIGHTS | OTHER STRAIGHTS | DEUTSCHE MARK STRAIGHTS | SWISS FRANC STRAIGHTS | FLOATING RATE NOTES | CONVERTIBLE BONDS

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IAI to merge divisions after Lavi cancellation

BY JUDITH MALTZ IN JERUSALEM

STATE-OWNED Israel Aircraft Industries (IAI), the country's largest company, has announced the first step in a reorganisation programme in response to the cancellation of the Lavi fighter bomber project, in which it was the main contractor.

The board of the group, which lost $30m in 1986-87, voted to merge its engineering and manufacturing divisions into one unit which will handle the development and production of both military and civilian aircraft.

An IAI official said the company still wanted to reserve the option to develop military aircraft, although he did not foresee this happening before the turn of the century.

The engineering division had been the main centre for development of the sophisticated Lavi aircraft, on which $1.2bn had already been spent.

A company executive said that as a result of the move, IAI would be forced to shed more than the 3,000 employees it had originally planned to dismiss following the Government's decision to scrap the Lavi project last August.

About 2,300 engineers have since left the company of their own volition, many to South Africa.

By the end of this year, the company's technology division, which includes various non-aircraft military subsidiaries, would probably also be closed, the executive said.

He maintained that the reorganisation of the company, which will emphasise greater decentralisation of activities, had been contemplated for many years. The Lavi cancellation provided a good excuse to go ahead.

IAI had enjoyed guaranteed orders of $200m a year – virtually 20 per cent of its typical annual revenues – as a result of its participation in the project. In 1986-87, company sales totalled $1.1bn, with more than $600m coming from exports.

In another move designed to improve efficiency, the company has decided to stop production of the loss-making Arava cargo plane and to concentrate instead on its more profitable pilotless drones.

Arab-Malaysian lifts profits

BY OUR KUALA LUMPUR CORRESPONDENT

ARAB-MALAYSIAN Development, the diversified group controlled by Dato Azman Hashim, a prominent Malay businessman, has reported a 40 per cent increase in pre-tax profits to 15.8m ringgit (US$6.3m) for the year to last March.

The bulk of profits came from the group's financial services division. In particular, the 45 per cent owned Arab-Malaysian Merchant Bank recorded a 24 per cent increase in pre-tax earnings to 37.9m ringgit.

The textile division was also profitable, due to strong overseas demand, but the property side incurred a loss of nearly 800,000 ringgit. However, this was lower than the previous loss of 2.5m ringgit.

The group, which is paying an unchanged dividend of 0.5 cent per share, said that with an improving economy it expected a better year ahead.

Meanwhile, Arab-Malaysian Merchant Bank has announced that Mr Patrick Low Han Hing, its highly respected executive director, will leave in March to be managing director of Raleigh, a manufacturing company in which the family of Mr Daim Zainuddin, the Malaysian Finance Minister, has a leading stake.

Gasunie turnover hit by weak dollar

By Our Financial Staff

NEDERLANDSE Gasunie, the partly state-owned marketing company for Dutch gas, has reported a 36 per cent decline in turnover to Fl 15bn ($8.47bn) for 1987, partly as a result of the dollar's weakness.

Gasunie, which has Shell Nederland and Esso Holland as other main shareholders, said 1987 gas prices were fairly stable but the weaker dollar and "the many uncertainties of the international energy markets" were the main factors behind the year's sales setback.

Gasunie said that it had sufficient gas to satisfy domestic Dutch demand for 40 years, including all contractual obligations.

Challenges ahead included difficulties in supplying product of consistent quality and the long-term need to increase imports.

Run of losses at Hertie ends

HERTIE, the West German department store group, broke even in 1987, bringing to an end a long period of losses for the company, Our Financial Staff reports.

In 1986, Hertie ran up a deficit of DM44.2m ($28.1m) following an improvement in turnover of about 2 per cent, to DM5.4bn.

Hertie is 97.5 per cent owned by a charitable foundation. It is not listed on the stock market.

French ski group expects setback

BY GEORGE GRAHAM IN PARIS

SALOMON, the French ski boot and bindings manufacturer, has forecast a 22 per cent fall in net profits this year in the face of stagnant sales, heavy research and investment costs and unfavourable currency movements.

With pre-tax profits down 27 per cent to FFr184.7m ($34.6m) in the first half, Salomon expects net consolidated earnings for its full financial year ending March 1988 to drop to about FFr175m, after last year's FFr223m.

Sales in the 1987-88 year are expected to show 8 per cent growth at constant exchange rates, restricted to 5.3 per cent by the fall of the dollar.

Salomon's sales are expected to decline in the winter sports area to FFr2.22bn this financial year. The company predicts a period of stagnation or even slight recession, especially in Japan, the most important world market.

In its relatively new golf clubs division, however, sales are expected to rise by more than 70 per cent to FFr328m this year.

Taylor-Made, Salomon's subsidiary, claims to be market leader for golf woods, with 45 per cent of the top-of-the-range market segment.

Mr Georges Salomon, the company's chairman, said Salomon's development strategy would allow it to return to growth in the near future.

Besides expanding in the golf and Japanese markets, the company still intends to launch its own ski range.

Mr Salomon said prototype skis were performing satisfactorily and added that the company wanted to become world leader in the middle to upper segment of the market, the most profitable and the best for image.

Faber Merlin suffers further slide into red

BY WONG SULONG IN KUALA LUMPUR

FABER MERLIN, the Malaysian hotel and property group, suffered a wider net loss of 67.5m ringgit (US$27.1m) for the year to June, compared with a previous loss of 43m ringgit.

The group said the increased loss was mainly due to depressed conditions in Malaysian hotel and property markets, as well as interest charges amounting to more than 33m ringgit.

Turnover fell 26 per cent, from 128m ringgit to 94.5m ringgit.

Faber Merlin is one of the companies controlled by the Fleet Group, the investment arm of the ruling United Malays National Organisation.

Last November, Faber Merlin defaulted in redeeming 17.8m ringgit worth of convertible loan stocks which had matured.

It sold its Kuala Lumpur hotel and office block to the New Straits Times publishing group for 110m ringgit but, because of the stock market crash, was unable to place the NST shares to raise funds to redeem its loan stock

The loss attributable to shareholders in the latest year rose to 91.5m ringgit, compared with a loss of 64m ringgit previously, after taking into account extraordinary items of 24m ringgit.

Net tangible assets per share fell from 111 cents to 69 cents.

Dee hits out at 'imprudent' bid

BY NIKKI TAIT

Dee Corporation, Britain's third largest grocery group, yesterday hit back at the £2bn cash and shares bid from the much smaller **Barker & Dobson** company, dismissing the financing as "imprudent", describing the potential new management as "very weak and relatively inexperienced", and defending its own track record.

B&D intends to borrow the £1.25bn cash portion of its offer – plus a further £350m-worth of working capital – from a syndicate of banks. It would repay the bulk of that by selling Dee's superstores and non-Gateway interests.

"*This is a highly leveraged bid – imposing a very heavy interest burden... – that involves the break-up of your company, not for trading reasons but to meet the demanding requirements of* Citicorp and the other lenders whose principal interest is in *protecting their loans*," argues Dee's defence document.

"The offer would leave you, even if the break-up were achieved, in a highly leveraged company with depleted assets and limited prospects and with shares of dubious value," it continues.

Dee confirmed yesterday that it was talking to the Office of Fair Trading about the financing arrangements with a view to a possible Monopolies Commission reference. An earlier leveraged bid – from Elders IXL for Allied-Lyons in 1986 – was *referred*, but subsequently cleared. Yesterday, the OFT confirmed that it was looking at the B&D offer. Conventional competition considerations, added Mr Monk, could restrict B&D's freedom in any sale of Dee's superstores.

On the management side, Dee argues that B&D's claims to have an experienced team "stretch the imagination". Mr Fletcher (B&D's chairman and chief executive) was managing director of only the stores division of Asda for three years before being fired in 1984. Whatever he has done at B&D cannot equip him to remould Dee, which is about 20 times the size of B&D.

As to Dee's own strategy, Mr Monk concedes that the current year "will inevitably be one of consolidation" – interim profits fell 18 per cent – but adds that Gateway is performing strongly in the second half and that significant progress is being made. No mention is made of a profit forecast although Dee said yesterday that it was "possible" that this might come later.

The company also defends its wide range of store sizes, "it is vital to compete with other majors across a wide spectrum, which includes both superstores and supermarkets." Average trading margins in the smaller Gateway stores are slightly ahead of B&D's Budgen chain, claims the document, and margins at Gateway overall have risen from 2.38 per cent in 1982-3 to 4.48 per cent in 1986-7.

Yesterday, however, Mr Fletcher countered that the document was "fairly predictable" and avoided key issues, "like how Dee is going to solve Gateway's problems".

"They have gone over the top on the financing," he added. "It's a credible proposal and gives us substantial flexibility."

See Lex

Williams holders claw back deal placing

By Nikki Tait

Williams Holdings, industrial conglomerate, has seen almost all the new shares issued to finance last month's £133m purchase of the Berger paints business from Hoechst, West German chemicals group, clawed back by existing shareholders.

Of the 54m new shares being offered, 49.95m – or 92 per cent – had been applied for by existing investors. The balance will be taken up by institutional investors, with whom they were conditionally placed.

Williams was only the second company to announce a major underwritten deal following Black Monday. The new shares were on offer at 165p, raising £100m, and represents almost 17 per cent of the enlarged share capital.

The issue price was set at a 10 per cent discount to Williams share price ahead of the announcement of the Berger deal. Shareholders were allowed to claw back pro-rata to their existing holdings.

By last Wednesday, when clawback applications had to be returned, Williams' share price had risen to 226p. The shares slipped a few pence ahead of New Year, but yesterday recovered 7p, back to 226p.

Yesterday Barclays de Zoete Wedd, Williams advisers, said that the success of the financing reflected a vote of confidence in Williams strategy rather than an improvement in the conditions for paper issues and vendor placings.

"It's terribly early in the New Year to comment on that," added BZW cautiously.

GEC makes £12m move into financial services

BY DAVID THOMAS

THE **General Electric Company** is paying £12m for a 40 per cent stake in Summit, financial and property services subsidiary of Atlantic Computers, computer leasing group.

The move is a further sign of GEC's often expressed determination to become involved more deeply in financial services. It flows from a close working relationship established between the two companies for several years. Summit's financial services wing has built up a sizeable portfolio of leased assets for GEC.

Mr Philip Ralph, a GEC associate director, said that GEC was primarily interested in Summit's financial services activities. He hoped that Summit would be able to develop more financial services relevant to GEC's in-house needs, such as sales-aids packages.

Mr Ralph is one of three people which GEC will be putting on the Summit board.

Atlantic will receive £7.5m in recognition of the reduction of its stake from 76 per cent to 40 per cent.

Mr Barry Sack and Mr Kit Hunter Gordon, joint managing directors of Summit, will hold the remaining 20 per cent.

Mr Sack said that besides building on the existing relationship between the two companies in financial services, Summit might also be able to help GEC develop some of its property assets.

Summit made pre-tax profits of about £1m before inter-company interest charges in 1986. It had net assets of £2.8m at that date before taking into account inter-company loans being repaid or waived as part of the transaction.

Rolls Royce cut-off reminder

BY DAVID WALLER

Rolls Royce, the recently privatised aero-engine maker, yesterday reminded its foreign shareholders that the cut-off date for the compulsory sale of their holdings in excess of the 15 per cent stipulated by the Government is looming.

If overseas shareholders have not brought their total holdings down to the 15 per cent level – specified in the company's Articles of Association accompanying the flotation – by January 11, Rolls Royce is empowered to sell the balance in the market.

In November, Rolls Royce announced that the number of shares in foreign hands was 46m above the permissible level, representing 6 per cent of the total equity. Notices to dispose of the shares were sent on a last in, first out basis.

It is not known at what level the surplus currently stands, but it is certain that any disposals will have been made – or will have to be made – at a substantial loss. Last night, Rolls Royce shares closed at 128p, up 5p on the day but a great deal lower than the fully paid offer price of 170p in May last year, and the 232p achieved in subsequent dealings.

Arco buys more Britoil shares

BY MAX WILKINSON, RESOURCES EDITOR

Atlantic Richfield, the US oil company continued its buying of Britoil shares yesterday, as the market waited for a formal offer document from the rival suitor British Petroleum.

Arco announced that it had raised its stake in Britoil from 21.21 per cent on Thursday to 21.25 per cent yesterday.

BP, which already holds 29.9 per cent of Britoil has announced its intention to make a full bid at 450p per share. However it will not be issuing a formal offer document until it has held talks with the Treasury about the use of the Government's "golden share".

This share, created when Britoil was privatised in 1982, allows the Government to outvote all other shareholders at a general meeting in the event of a take-over. BP has said that it would be prepared to go ahead with the bid even though it might be denied full control.

Arco, which has offered an assets for shares swap which could give it 49.9 per cent of an enlarged Britoil, has yet to say whether it would be prepared to match BP's offer in a full bid. The proposed asset swap favoured by Britoil's management, is unlikely to be permitted by the Takeover Panel unless it were the prelude to a full bid.

Rugby £6m purchase to expand glass side

Rugby Group has paid FFr60m (£6m) cash to acquire all the capital of **Societe Financiere Vertal**, a glass processor which turned in sales of some FFr100m last year.

This represents an extension of Rugby's interest in glass, which is a growing part of its joinery and millwork activities. The president of Vertal, Mr Jacques Ardisson, who was the majority shareholder, will stay as chief executive.

Vertal has plants in Lyon and Strasbourg, and a new one in Paris will be operational in May as part of the programme to meet growing demand.

Its business is the processing and distribution of toughened and laminated glass and insulated glass units for the construction and industrial markets in France.

Meyer buys five businesses in international expansion

BY FIONA THOMPSON

Meyer International, importer and distributor of wood products, has acquired five businesses for a total of £6.4m. The combined profits of the businesses last year were £350,000 and total net assets were valued at £3m.

Four of the companies were privately run and one was public.

PMD, based in Kill, County Kildare, near Dublin. PMD treats poles for the Eire telecommunications and electricity boards.

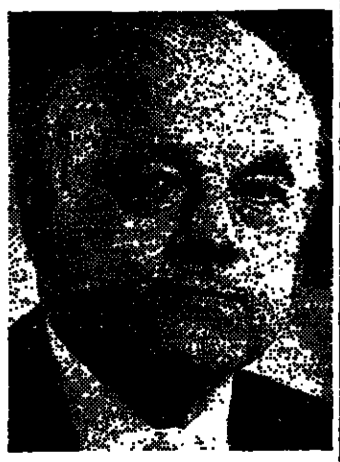
The other four companies acquired were: Sandbach Builders and Timber Merchants of Sandbach, Cheshire; Wimborne Timber, which operates from three branches in Dorset; RW and FC Sharp, a timber company based in Exmouth, Devon; and a US company, Stockline Distributers of Florida, a distributor of plastic laminates and wood *based sheet materials.*

Meyer paid £1m for the US company, and £5.4m in total for the four others.

Mr Oscar DeVille, chairman, said Meyer was determined to expand its business both by acquisition and by internal growth in the UK and overseas, *and expected to make further* significant capital investment before March 31, the end of the financial year.

"The purchase of Stockline marks the first step into this market in the US. We have formed a new holding company in the US, Meyer International Inc, to develop our business initially by acquisition," he said.

Meyer's building merchants division has 152 Jewson branches throughout England and Wales, and 15 Brownlee branches in Scotland. The forest *products division has 29* companies operating in the UK, importing and distributing softwoods, hardwoods and panel products. Manufacturing companies *include Crosby Doors, Crosby* Windows, Crosby Kitchens, Armour Cases, Bracknell Buildings, Midland Veneers and Hurn Brothers.



Oscar DeVille – further capital investment soon

Meyer reported pre-tax profits of £45m for the year to March 31, 1987, and achieved taxable profits of £31m in the six months to September 30, 1987.

MBS reducing borrowings on rental disposal

MBS has completed the sale of the business of its subsidiary MBS Rentals to the Rutland group.

Consideration is £840,000 plus an amount to be determined in respect of debtors, believed to be around £450,000. Consideration is payable as to £100,000 on completion, and £320,000 today. Balance is due in four monthly tranches of £100,000 and one of £20,000 on March 1 to July 1988 *inclusive.*

The assets being sold, the net profits of which usually finished at break even, were expected to realise around net book value. *Proceeds will be initially utilised* to reduce UK borrowings.

Jacksons Bourne End shares leap on approach

SHARES IN **Jacksons Bourne End** rose 60p to 445p yesterday after it revealed that its majority shareholder, Bugge Eiendom, the financially troubled Norwegian property group, had received an approach which could lead to an offer being made for the UK shoe components and property company.

The approach is not directly connected to the problems of Bugge, where Mr Tony Clegg's Mountleigh property group is helping to arrange the orderly disposal of assets. However, it is believed to have been prompted by the publicity surrounding the Norwegian company, which holds 63 per cent of Jacksons.

Stanley Leisure £0.7m betting shops purchase

Stanley Leisure Organisation, through its subsidiary Stanley Racing, is to acquire David Hudson (Racing), betting shop operator, for £658,500 cash.

The consideration comprises £98,500 for properties, £130,000 for fixtures, fittings and equipment and £430,000 for betting office licences.

Trading accounts for three of the seven shops for the year ended March 31 1987 showed a profit of £40,697 on turnover of £872,230. Accounts for the other four shops are not available since these were purchased recently by *Hudson.*

The vendors have warranted that during the period of their ownership of the four shops up to the December 12, the turnover *achieved was £644,379.*

Willis Faber buys rest of Leeds broker

By Nick Bunker

Willis Faber, the insurance broker, plans to spend *about* £10.6m *to take full* control of Leeds-based Rattray Daffern, a Leeds-based insurance broking and personal financial planning business which it helped form two years ago.

Willis already owns 50 per cent of Rattray Daffern, and was due to acquire it completely at the end of this year, under an agreement dating back to its creation in November 1985.

Mr Peter Stevens, a Willis Faber spokesman, said the group wanted to bring the deal forward 12 months to fit in with the implementation of Willis's merger last year with Stewart Wrightson, another big Lloyd's broker.

Rattray Daffern has grown rapidly since its foundation, and is expected to show pre-tax profits of about £1.2m for the year ended December 31 1987. Like Willis, it is primarily a broker for industrial and commercial clients.

But one of its founders, Mr Alan Daffern, is heavily involved in personal financial planning and is "an expert on the Financial Services Act," said Mr Stevens.

Willis plans to meet the £10.57m consideration in three parts: £372,827 cash, an issue of 1.44m Willis shares, and £6.67m in loan stock. The last figure is subject to possible adjustment in the light of Rattray Daffern's final pre-tax profits for last year.

COMPANY NEWS IN BRIEF

BRITISH AEROSPACE has completed its purchase from Minefa Holdings, wholly-owned subsidiary of Wedge International Holdings, of its 99.8 per cent shareholding in Ballast Nedam Group for $90m (£48m) cash. BNG, a Dutch construction company operating worldwide, had a net *loss* of £66m in 1986 on dredging activities and other extraordinary write-offs. Turnover was £500m.

HORSTMANN GEAR has acquired the Serck Controls division from BTRfor £1.1m. Serck Controls supplies control and data systems for water, petrochemical and other process control industries. Its turnover is around £2.5m.

CRODA INTERNATIONAL, through its subsidiary Springer & Moeller, is acquiring Hilko Holding, based at Zaandam, Holland, for £4.9m cash. Hilko, toilet soap manufacturer, reported pre-tax profits of £744,000 on turnover of £6.88m at the end of 1986.

ERSKINE HOUSE has acquired *through its US subsidiary, Sub* Zeno-Systems, the business of Colorado Copier Systems. The initial payment was $2.06m (£1.1m) cash and the maximum consideration is $4m. In the year to August 31, Colorado's pre-tax profits were $470,000. Net assets were $893,000.

NORMANS GROUP: £387,312 nominal of the variable rate convertible unsecured loan notes 1999 issued to previous shareholders of Wallis Frozen Foods has been converted into 704,716 ordinary. Loan notes with nominal value of £612,688 nominal will qualify for interest or con*version on August 14 1989. The* new shares represent 1.22 per cent of the increased ordinary capital.

Bolton House plans £2.24m provision after market collapse

BY HEATHER FARMBROUGH

Bolton House Investments, over-the-counter issuing house and market maker headed by Mr Andrew Miller, Benlox chairman, warned shareholders yesterday that it may have to provide £2.24m against a fall in the value of assets following the market collapse after October 19.

The provision, which would be *made at the year end, comprises* the fall in share prices of quoted companies, a general write-down in value of shares held in unquoted companies and contingencies for loans to other companies.

Since September 30, less than £600,000 of the £2.24m provision has been realised. Total assets at the last balance sheet were worth £15m. Despite the provision directors believed the realisable value of the investment portfolio to be well above balance sheet cost.

The warning came as it reported its interim results showing a rise in pre-tax profits for the six months to the end of *September to £1.6m, against* £1.5m for the year to last March.

Turnover was £106.45m (£87.46m) while earnings per share were 7.12p. However in the *light of market conditions since* the crash the company is not paying an interim dividend.

Bolton said management accounts to November 30 indicated that Chartwell Securities, the main and OTC market making subsidiary, has held its own following the crash. On other fronts the company said that it had never been busier.

The company *also* announced that it intended to raise about £10m from a new capital issue by the end of March, in order to increase the investment portfolio. This follows a £10m refinancing to broaden its asset base in October.

Kegel buys 5% Albion stake

By Heather Farmbrough

Kegel International Corporation has acquired 5.2 per cent of **Albion**, Northern Ireland-based manufacturer of mens' outerwear clothing.

Kegel's purchase of 195,000 *ordinary shares worth £117,000* follows the purchase this September of 5.3 per cent of Albion by Nicademus of Jersey. Harvard Securities holds 3.6 per cent of *the company.*

Albion reported pre–tax profits down from £243,000 to £194,216 in the six months to March 31 on turnover of £3.5m against £3.3m.

The shares were unchanged at 60p on the announcement.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are *based mainly on last year's timetables*

TODAY

Interims- Brunning, Pepe International, Singer and Friedlander, Zetters Leisure

Final- Associated Energy Services

FUTURE DATES

Interims-	
Adsa Investment Trust	Jan 11
TR City of London Trust	Jan 6
Finals-	
Fleming Claverhouse Inv	Jan 11
Lloyds Bank	Feb 26

SHARE STAKES

Changes in company share *stakes announced recently* include:

Biomechanics International-Director G.M. Rippon sold 100,000 nil paid rights at 10p. Proceeds will be used towards paying the call on part of his remaining nil paid rights.

Bowthorpe Holdings-Director Alex Deutsch sold 500,000 at 162p, and total holding now *12.35m shares (7.93 per cent).*

Buckley's Brewery-Director Guy Cramer has bought 116,000 shares at 190p through the market.

Consolidated Gold Fields-Directors exercised options and then sold shares as follows:-R.I. Agnew 120,000 shares and disposed of same amount, and holds 5,263; M.E. Beckett 45,000 shares and sold 42,000, and holds 4,136; A.P. Hichens 66,000 and sold 62,000, and holds 5,038; J.H. Wood 60,000 and sold 54,000, and holds 6,194. All disposals were made at 923p per share.

Doctus-Director John Cawthorne sold *374,000* warrants at average 6.35p each to another director Richard Fleming, who holds interest in 497,100 warrants (62.53 per cent of issue).

DRG-Kuwaiti Investment office holds 9.73m shares (9.2 per cent).

Global Group-The following directors bought shares at 62p. Eric Epsom 25,000 and now *owns 1.07m (18.57 per cent);* Robert Mollison 24,916 and holds 1.09m (18.94 per cent);Kenneth Read 25,000 and holds 636,114 (10.98 per cent).

Linread-A.H. Lynall, director, sold 8,943 shares at 120p. He and his wife hold 958,062 (8.14 per cent).

Personal Assets Trust-I.F. Rushbrook sold 192,512, decreasing his and family interests to 10.3 per cent of capital.

Rutland Trust-Director J.L. Beckwith acquired 100,000 at 29p and holds 1.59m (0.79 per cent). Director M.R. Langdon bought 50,000 at 29p through the Michael Langdon Associates Pension Scheme.

Willis Faber-S.R. Harrap reduced his beneficial interest by *22,500 shares.*

How Kyoto saved the fabric of Japanese culture

By Roy Garner in Tokyo

Traditional Nishijin-style kimono from Tomiya of Kyoto. The introduction of computers into the manufacturing process has saved the company from extinction.

IN JAPAN'S ancient capital of Kyoto, and among a community which produces that most quintessential of Japanese cultural artefacts, the kimono, master craftsmen claim they owe the very survival of their traditional ways to – of all things – the computer. In the words of Tomiie Tsuneharu, vice-president of Tomiya Textile Co, "*If we hadn't introduced computers* six years ago, by now we'd be finished."

In recent years, the renowned Nishijin-style kimono makers of Kyoto, whose weaving techniques date back to the late 15th century, have found themselves pressured by modern lifestyles *which have led growing numbers* of Japanese to abandon kimono use.

They have also been affected by the general business crisis which prevails throughout Japan's textile industry, caused by the high value of the yen and severe competition from Asia's newly industrialised countries.

Under greatest threat were the 'obi' makers. The obi is the intricately woven silk belt of the kimono, some one foot wide and ten feet long, which sets the tone for the garment as a whole. Featuring beautiful designs, the obi is generally the most expensive supplementary item of the kimono *outfit, which also includes several lay*ers of underclothes and numerous accessories.

Quality obis range in price from Y300,000 (£870) to over Y1m (£4,450). Traditional production methods involve over 20 processes, are very labour-intensive and highly skilled. Essential overheads, therefore, presented a major difficulty for management obliged to seek cuts in wholesale prices.

The problem was tackled at Tomiya Textile by Tomiie Hiroshi, the son of the company president, and member of the sixth generation of Tomiya obi artisans. While recognising that many of the obi production processes defied automation, he concluded that the 'mongami' (design-paper) punch-card system, which controls the silk weaving machines, could be streamlined.

He was encouraged by the fact that *the coding technique used on the mon*gami cards, the roots of which lie in the 19th century French Jacquard loom, bears a strong resemblance to the fundamental principles of computing.

The rectangular mongami cards, similar in size to a large banknote, feature a complex pattern of holes, each of which denote whether a newly-inserted thread should pass above, or below, the foundation threads. This 'over or under' system corresponds readily with the 'zero or one' readings of computerised data processing.

*In obi weaving, up to 2,700 founda*tion threads can be employed, corresponding with the upper limit of 900 holes on the mongami cards – each hole providing information on three threads. To make a single obi, up to 25,000 mongami are required.

These cards are tied together with cotton to create a giant paper chain which is fed through a reading device mounted above the weaving machine. Traditionally, mongami card-making consisted of four processes, preceded *by the labours of a master painter,* who creates the basic obi design; an art which remains unchanged today.

In the first process, the design is transferred onto a backing card, where it is recorded as 'digital' data. For a 12,000-card obi design this process alone takes a month. A further month is required for the ensuing three stages where holes matching the design data are punched into the mongami, which are then 'edited' into the correct weaving order and finally 'wired' together.

Using Tomiie's computerised system, which has been introduced gradually since 1981, at a total cost of Y300m, the time required to make the mongami for a 25,000-card design has been cut from two months to one week, and 30 fewer staff are needed.

Here the basic design is transferred to three pattern sheets in approximately 30 minutes by a drum scanner. *Using computer-aided-design termi*nals, skilled operators then spend up to five days checking the design on the display against the original and, most importantly, making hundreds of minute adjustments to the readout to restore the 'human touch' of the design.

This examination is done with the aid of up to 1m colour shades which can temporarily be added to the design to provide contrasts and highlights. The final data is stored on a floppy disk, which is used to manufacture the required mongami cards in just four *hours.*

Although other elements of obi production, notably dyeing, sewing and washing processes, remain labour-intensive, the speeding up of mongami production has made a critical contribution to the company's cost-efficiency.

The key saving came through reductions in non-specialist staff, but major economies were also made on materials and related transport and storage costs. With each mongami card costing Y5, *Tomiya Textile estimates a saving* of Y60m per year on paper alone.

The speedier process has also allowed the the company to respond to the modern trend towards small-lot orders.

The final stage of Tomiya's rationalisation started last month, when it began a *one-year, Y310m, project to* install computerised controllers which by-pass the mongami cards altogether, feeding instructions directly to the loom mechanisms.

The systems already under trial at Tomiya provide a fascinating blend of the traditional world and the high-technology age. Loom operators continue to hunch over the noisy and hugely complex mechanical looms, while, perched high above, three-foot square computer control boxes provide illuminated digital readouts and control the whole operation.

The *software for the direct loom-con*trol system was developed by Tomiie Hiroshi, in a joint-venture with a local company, and is manufactured and marketed by Mitsubishi Rayon Co.

Already 300 of the systems have been sold to other companies in the *Nishijin community and they promise* to re-vitalise the kimono manufacturing industry.

Computers have allowed effective business rationalisation at Tomiya, and Tomiie Tsuneharu, vice-president acknowledges that they represent "the biggest innovation in the 120 years of the industry." But he maintains that "there is no relation between the computer system and the obi's quality," the principal selling point of Tomiya products.

He relies, as did previous generations, on his twenty master designers and the numerous artisans working in the assorted tiny workshops of Nishijin to maintain his product's reputation in the marketplace.

UK and Japan take different roads to superconductivity

BY JANE RIPPETEAU

ACADEMIC researchers in the UK are better equipped than their Japanese counterparts for carrying out research in superconductivity, according to Shoji Tanaka of the University of Tokyo.

On the other hand, he says, investment by industry in Japan far exceeds UK efforts in the technology, in which metal oxides transmit electricity without resistance. Japanese Government funding is considerable, but it is biased toward industry not academe.

Tanaka is soon to leave his post in the department of applied physics at the University of Tokyo to head up a major new private laboratory for superconductivity in Japan.

In the UK during December for two conferences on the technology at Bristol University, Tanaka also visited researchers at Oxford University and at the Rutherford Appleton Laboratory.

"There's more going on here than we expected," he says. After a slow start in Britain, he adds, "there are many scientists working actively and (at the locations he saw) they are very well equipped."

In addition to activities at Rutherford and Oxford, Birmingham and elsewhere, the UK Government has just announced the creation of a University Research Centre for superconductivity at Cambridge University's Cavendish Laboratory, with funding of £5.3m over six years. The money is to go mainly for people and equipment.

Although some other programmes will continue to receive money, the UK Government intends to consolidate most work at Cambridge. "Cambridge has a long history of work in superconductivity, and it will be much activated by this decision," Tanaka predicts. "The quality of science is very high."

Japan's Ministry of Education will spend just $3m to $4m in 1988 to fund about fifteen *different programmes* dispersed among Japanese universities, according to Tanaka.

However, industrial companies in Japan have already committed a considerable amount of money – some of it Government funding, of course – for superconductor development.

Forty-five companies are together building a $16m laboratory, the "Research Laboratory for Basic Technology of Superconductors," of which Tanaka will be director. Tanaka will also serve as vice-president of the International Centre for Development of Superconductor Technology, which starts up on January 14.

In addition to initial funding, the participating companies are *to contribute a total of $6m* annually to run the laboratory. It is to house between 50 and 100 researchers. According to Tanaka, the group will also seek international collaborations on basic research. He says he discussed possible co-operation with officials at the UK Department of Trade and Industry during his visit.

The laboratory is to serve basic research needs. Applications work, which could lead to proprietary products, will be carried out by the individual companies themselves, says Tanaka. Participants include the nine national electrical supply groups, automobile makers like Nissan and Toyota, and such large industrial combines as Mitsubishi, Toshiba, Fujitsu and NEC.

Government spending on industrial efforts will double next year from $20m to $40m or $50m for 1988. Half of that will go to the Science and Technology Agency and half to the Ministry of International Trade and Industry (Miti).

Miti's programmes include the "Moonlight" project to develop a superconductor-based power generator and superconducting wire, as well as electronic devices, including super-fast *Josephson* junctions. An overseeing organisation will disperse Miti monies to private industry.

The Science and Technology Agency's "multi-core project" will be run by a steering committee that will co-ordinate and pay out funds to existing national laboratories and fund possible collaborations between Japanese and foreign research organisations, says Tanaka.

Video phone format approved

BY IAN RODGER IN TOKYO

AN AGREEMENT among Japan's manufacturers of video telephones on a new standard format for their systems has been tentatively approved by the Japanese authorities. Thus, the possibility of a format war emerging in the still-picture TV telephones business appears to have been averted.

Mitsubishi Electric and Sony recently introduced systems with different formats but they have now agreed on a new standard format. The idea of a still picture telephone is to enable a user to transmit a single picture of himself over the ordinary telephone line to the person to whom he then talks.

A Sony official says the company envisions it mainly for family use, as the resolution of the pictures would not be of a very high standard. Mitsubishi, together with Matsushita Electric and NEC, has developed a video phone with a five-inch vertically oriented screen, while Sony's has a four-inch horizontally oriented screen.

Under the agreement between the two camps, a new format will be adopted, somewhat different from both the existing ones. It will enable transmission of a picture to take place *in five to six sec*onds.

While the picture is being transmitted, the two parties cannot talk. The Telegraph and Telephone Technology Committee (TTC), which sets telecommunications equipment standards, says it will prepare a final version of the standard next spring.

The four companies plan to begin marketing still picture phones under the new TTC standard next April. Other companies are expected to enter the market later in the year.

Digest of cases reported in the Michaelmas Term

FROM OCTOBER 6 TO OCTOBER 28

Libyan Arab Foreign Bank v Bankers Trust Company (FT, October 6)

After the US President blocked all Libyan property in the US on January 8 1986, the Libyan Arab Foreign Bank claimed, either in cash or by banker's draft, the balance of $131.5m standing to the credit of a London call account with the defendants ("BT") at close of business on that day. It also claimed $165m which, it said, ought to have been transferred from BT New York to the London account on January 7 or 8 in accordance with an agreed transfer arrangement. In giving judgment for the Libyan Bank, Staughton J stated that every obligation in monetary terms was to be fulfilled by the delivery of cash or by some other operation which the creditor demanded and which the debtor was obliged to perform. Demand was made for cash, and was not complied with. It was not argued that delivery of cash in London would involve any illegal action in New York. Accordingly, BT was liable.

Re Geers Gross plc (FT, October 7)

The clear purpose of Part VI of the Companies Act 1985 was to give a public company, and ultimately the public at large, a *prima facie* unqualified right to know who were the real owners of its voting shares. In the instant case restrictions were imposed on shares under section 216 of the Act on a nominee company which bought a large shareholding for a bank where the bank refused to disclose the true beneficiaries. In upholding a decision that the restrictions were not to be lifted, the Court of Appeal stated that the fact that the shares were subject to uncompleted sales was not of itself sufficient. If the restrictions were lifted, the company would be left with no real lever to prise open the casket in which the relevant facts about the shares were hidden.

Johnson & Bloy (Holdings) Ltd v Wolstenholme Rink plc (FT, October 9)

The balance of convenience lay in granting the plaintiffs an injunction restraining the defendant from using confidential information, the Court of Appeal held. The court had to be careful not unjustly to fetter the ability of an ex-employee to compete, but the difficulties in which the defendant found himself were essentially of his own making by having improperly removed documents belonging to his former employers. The court had to consider not merely his position but what was necessary for the employers' proper protection in relation to what were arguably trade secrets.

Thorman and others v New Hampshire Insurance Co and Home Insurance Co (FT, October 13)

A claim against the New Hampshire arose under a professional policy when the building owners wrote to the architects alleging negligence in that serious problems had arisen "inter alia with regard to cracking and defective brickwork." This allegation was made in June 1982 but the writ was only issued 18 months later, in December 1983. In the meantime, however, the cover had been transferred to the Home Insurance in September 1983. In allowing Home Insurance's appeal that New Hampshire were liable for all damage as alleged in the statement of claim and subsequently particularised in the Scott Schedule, Sir John Donaldson MR stated that the phrase "inter alia" was the clearest possible claim with regard to all serious problems and was not confined to brickwork as contended for by the New Hampshire.

Degazon v Barclays Bank International Ltd (FT, October 14)

Mr Degazon sought to recover legal fees for services rendered abroad to a testator from the defendant bank, which was acting as foreign executor for the testator who had also died abroad. In allowing the bank's appeal against a decision that Mr Degazon's claim should not be struck out as disclosing no cause of action, the Court of Appeal held that the general rule prevailed that a foreign executor could not be sued in England unless as a debtor, trustee or *executor de son tort*. On the facts of the case, the bank's actions in raising objections to the validity of Mr Degazon's claim against the estate did not suffice to constitute "intermeddling" with the estate so as to render it liable as *executor de son tort*. Moreover as a result of the acts relied on, the bank had not benefited by a single penny nor caused Mr Degazon or the estate any loss or damage.

Morgan Guaranty Co of New York v Hadjantonakis and Another (FT, October 16)

In refusing an application by the plaintiff that their claim against the defendants should be transferred to another division of the High Court in order to expedite the hearing, Mr Justice Hirst stated that on its facts, the case had to be considered against the background of normal banking practice and canons of conduct of borrowers and guarantors when negotiating loans for ship purchases. Those were just the sort of matters which fell within the experience of Commercial judges in trying business disputes. Moreover it was not a case where the plaintiffs would suffer financial hardship or any other special disadvantage in the absence of a speedy trial. A Commercial Court judge could not unilaterally impose a redistribution of work without an overall view of its effect on the pattern of work in the other courts.

Regina v Pharmaceutical Society of Great Britain, ex parte Association of Pharmaceutical Importers (FT, October 20)

The Association sought to challenge by judicial review a DHSS ruling that chemists could not dispense drugs, imported from an EC state, under a valid product licence if there was an equivalent UK product having the same therapeutic effect. The Divisional Court held that these measures were not equivalent to quantitative restrictions on imports so as to infringe Article 30 of the EEC Treaty. In referring the question to the European Court, the Court of Appeal held that there could be no doubt that the case was of importance to the Community in general, and that the European Court of Justice was in a far better position to reach a decision than the present court.

The Kapetan Georgis (FT, October 21)

Devco, a Canadian company which shipped allegedly dangerous cargo on the Kapetan Georgis owned by Virgo but under a time charter to Skaarup, applied to set aside third party proceedings against it out of the jurisdiction. It contended that Skaarup, being a mere time charterer, did not have a proprietary interest in the vessel and hence no proprietary loss under the general rule in *Leigh & Sillavan [1986] AC 785*. In refusing the application, Hirst J stated that where, as in the present case, the relevant claim was part of a chain which originated in a claim for physical damage, there was a strong case for not applying the general rule that a claim for economic loss could not be argued in tort.

Transcontainer Express Ltd v Custodian Security Ltd (FT, October 23)

Transcontainer, which undertook the transport of bonded goods from France to Feltham Middlesex, subcontracted the Dover Feltham leg of the journey. The goods, left for safekeeping in a dock guarded by the defendants, were stolen through the defendants' negligence. Transcontainer, having paid out the buyers and Customs and Excise under the bond, could not recover these sums from the defendants, the Court of Appeal held, because it never had legal or possessory title to the goods (*Leigh & Sillavan [1986] 1 AC 785*). Moreover Transcontainer's contention on appeal that it had *immediate* right to possession of the goods could not be decided as the Court of Appeal did not have before it all the necessary evidence to decide the issue (*The Tasmania (1890) 15 AC 223*).

Commercial Court Practice (FT, October 27)

In putting forward proposals *for limitation of time for interlocutory hearings*, Mr Justice Hirst stated that the efficient working of the system depended on accurate estimates of the time needed for a summons. It was therefore incumbent on counsel and solicitors to take special care in this respect. In future any summons which overran its estimate would probably be adjourned. Although a departure from previous practice, this was only a further small step towards reducing the present unacceptable delays in the Commercial Courts.

Mitsubishi Corporation v Alafonzos (FT, October 28)

Mr Alafonzos sought to have set aside a writ against him, served out of the jurisdiction, on the grounds that the contract with the plaintiffs for the building of a ship was intended to mislead the Japanese authorities as to the true price in order to obtain the necessary permits. Although as a matter of *fundamental* public policy, the English courts refused to enforce a contract drafted to deceive third parties, none the less on this head of public policy Mr Justice Steyn stated that the courts proceeded with great caution on the facts of each case. On the basis of the plaintiffs' version of the facts, its case passed the required test of arguability, albeit without distinction. Moreover, making due allowance for the fact that the guarantee was negotiated and signed in Greece, the court was satisfied that the proper law of the guarantee was English law under RSC Order 11 rule 1(1).

Aviva Golden

COMMODITIES AND AGRICULTURE

Australia's short crop poses export problem

BY CHRIS SHERWELL IN SYDNEY

AUSTRALIA'S reduced wheat crop this year is forcing it into an export marketing operation every bit as delicate as any it has conducted in times of over-supply.

Long one of the world's top three wheat exporters, Australia has over the past four years watched rising global production weaken prices and alter the supply-demand balance in favour of buyer countries.

Through the Australian Wheat Board, the marketing agency, it has successfully battled to sell its large crops by breaking into new markets, many of them small but all valued.

This year, a different problem has arisen. Output is down dramatically because farmers have shifted into other sectors and adverse weather conditions have limited yields. The Board now has to ensure that the country's image as a reliable supplier is maintained.

The exportable crop this season will amount to less than 9.5m tonnes. This compares with 15.5m in 1986-87, and is the lowest since the drought-affected 1982-83 season, when the country exported 8.4m tonnes.

"We obviously can't supply customers at the same level as we did last year," said a Board official yesterday. "That's a disappointment after so much work has been done to increase our penetration of export markets."

Although a smaller crop is welcome because large ones have been difficult to sell, the Board would clearly have preferred to have more on hand. "We're confident we could have found buyers," the official said.

Instead, it is being forced to choose between buyers in a way that doesn't upset them or hurt future potential but which maximises returns to the country's wheat farmers.

Unsurprisingly, priority is being given to those customers who rely heavily on Australia for their wheat supplies or who are regular buyers. They are expected to take an estimated 80 per cent of this year's exports.

In the Middle East, for example, Egypt, Iran and Iraq traditionally account for some 30 per cent of Australian wheat exports and are heavily dependent on Australia for supplies.

Egypt's guarantee

Egypt has a long-term supply arrangement with Australia guaranteeing a minimum 10m tonnes over five years. It is therefore sure of receiving the 1.5m tonnes annual minimum set under the arrangement.

In the case of Japan, which takes around eight per cent of Australian wheat exports, there will be no change. Japan has an annual purchasing arrangement with Australia which has changed so little in recent years that it is equivalent to a long-term deal.

On the other hand China and the Soviet Union, each of which is also a regular buyer of around 15 per cent of Australian wheat exports, will have to take significantly less than the 2m tonnes or so each might traditionally expect.

Neither country has a long term buying arrangement with Australia, and each has also received large allocations of subsidised wheat from the US.

Other regular purchasers include Fiji, Papua New Guinea, New Zealand and the countries of South East Asia. Newly developed markets of the past four years include Kuwait, Bahrain, the United Arab Emirates and the People's Republic of Yemen.

Once the needs of regular customers have been met, the Wheat Board will have to resort to further distinctions in selecting which markets it can supply. The key factor here will obviously be returns, which will in turn favour buyers geographically closer to Australia.

Despite the delicacy of its problem, the Board feels buyers understand Australia's position. While the size of its crop may fluctuate considerably because of the vagaries of the weather, it enjoys a high reputation for the quality of its wheat.

That said, there is no suggestion that the Board might relax its overall marketing drive because of the current fall in production. Australian wheat exports are thought unlikely to dip below 10m tonnes next season because, in the Board's view, world prices are bottoming out.

Australian farmers are already being sent signals which should lead to increased acreages and a halt to the shift out of wheat. The current circumstances are not therefore expected to persist, and the Board's marketing effort will go on.

Iran faces stiff oil price resistance

BY RICHARD JOHNS

IRAN IS facing stiff resistance from its oil customers to the official selling prices which it has been charging most of them since the beginning of December and faces a drastic fall in exports this month unless it offers discounts, according to traders.

Actual sales have slowed to a trickle although the National Iranian Oil Corporation, having chartered a dozen or so large tankers in addition to those regularly engaged on the shuttle service to the Larak Island transhipment terminal, has been building up large stocks in floating storage.

Iranian oil production is estimated to have fallen to between 2m and 2.1m barrels a day in December, compared with a quota of nearly 2.37m b/d agreed under the Organisation of Petroleum Exporting Countries' output sharing pact. But the level is expected to drop sharply this month. Its domestic consumption is 600,000 to 700,000 b/d.

"Now they have little choice but to cut prices – they have to crack," a trader from one company involved in trading with Iran said yesterday.

Japanese companies have been ordered by the Ministry of Trade and Industry, under diplomatic pressure from the US, to contract purchases to 242,000 b/d, 202,000 b/d for Japanese refineries and 40,000 b/d for other destinations under trading deals, according to Middle East Economic Survey, the weekly news letter.

At the same time demand in the Far East for Gulf crude is sagging, according to traders. Mitsubishi, Saudi Arabia's main Japanese customer, is understood to have given notice of a marked reduction.

LME WAREHOUSE STOCKS
(Change during week ended last Friday) tonnes

Aluminium standard	-2,625	to 33,025
Aluminium high grade	+2,900	to 51,025
Copper	+10,000	to 49,175
Lead	-3,325	to 15,425
Nickel	+492	to 4,684
Zinc	+15,800	to 44,725
Tin	+30	to 18,455
Silver (oz)	+32,000	to 79,900,000

Mild weather lifts farmers' spirits

FARMER'S VIEWPOINT
By John Cherrington

THE MILD weather which is ruining winter sports in Europe has been a boon to British farmers.

I cannot remember seeing the country looking better than it did just before Christmas. The autumn sown cereals have started to grow very well and the grass growth has been exceptional.

I always count it as a bonus if I can reach the New Year without having to feed hay or silage to the bulk of the ewe flock; and this year I shall not need to do so for some time yet. At the moment I am drawing out a few ewes which are not in prime condition for a little supplementary feeding. Last summer, for the first time, I made silage in the big black bags which are now becoming fashionable and I hope the sheep take to it.

This will be particularly important as the ewes are in such good condition. Should there be a sudden break in the weather, with a heavy snow or frost, the grass could disappear overnight and the ewes suffer from an attack of pregnancy toxaemia, commonly called twin lamb disease. This is caused by break in feed supplies and its effects can be devastating. A large proportion of the flock becomes comatose, fatalities are numerous and many lambs are aborted.

There should be no real problem with this silage, the material was beautiful when it was ensiled and the local cattle which broke into a neighbours rick made at the same time went wild about it.

If this big bale silage works it will relieve me for ever of the tyranny of making hay, as it already has many farmers, especially in the West of England.

There is nothing to beat well-made sweet-smelling hay in small bales for ease of handling and I shall always try and make a little to feed the odd sheep indoors. But haymaking in this climate is not a sensible proposition.

For serious silage feeding in quantity the big bales must be right. Each bale weighs about 800lbs – a day's ration for 200 ewes – and there are certain logistical problems in feeding such a heavy bale without the right tackle. These I hope to solve by copying my progressive neighbours and in any case I have the machinery available. The only snag I have been warned about is that some of the bales may have been punctured allowing the air to spoil the fermentation.

As an indication of the quality of the grass this autumn I have 70 lambs left from last year which my buyers would not take. I got them in the other day and found they were well fit for the butcher which makes me think I sold the others too cheap. In a normal season they would not get fit until May without some extra feed.

The overall economic prospects for sheep are not very good at the moment. Numbers are rising but the consumption of sheepmeat is falling. The price is well supported by the variable premium, which should continue for at least another year, but I believe the premium as fixed at present is encouraging farmers to grow their lambs to heavier weights for sale in the first few months of the year following their birth.

This brought a splendid trade for store lambs last autumn which was helped by a strong demand from France where there is a shortage of young livestock. But I do not think it can be right to encourage the production of these yearling sheep, which are not really lambs. They may be good meat for those with good cooks in the household but the fact remains that they are mutton, and mutton at the moment is a drug on the world meat market.

I expect to see a pretty swingeing cuts in support for the sheep sector when the EC sorts out the sheepmeat regime later on this year.

Oil seed rape is another crop which is in oversupply and it must be a worry to the budgeteers to learn that the stands this autumn are quite the best for many years. Even if there is a plague of pigeons there could be a fantastic crop. All the crops have the rich dark green showing the effects of the residual nitrogen in the soil. This should please the environmentalists as it shows that the fertiliser cannot leach into the subsoil and affect water supplies as the EC now claims it may be doing.

My great regret is that I did not take advantage of the better weather in December to plant some more wheat. But seed wheat is scarce and last year's late sowings were disasters.

I still have about 400 acres of malting barley oats and beans and peas to sow mainly because they have done me well in recent years. In addition they are part of a rotation which includes a grass break of about 100 acres. Although this is eaten by the sheep it really should be classed as part of the arable programme.

In contrast to the growing crops this bare arable land is brown, and being well ploughed after cultivations it should be draining nicely in preparation for working down next February, or whenever the land will allow me on to it.

There are those who claim that a period of frost followed by drying north-easterly winds would be just ideal for the spring sowing but the trouble with that formula is that the frost would check the grass growth as well as that of the cereals, and once checked it takes a lot of restarting.

What I would like to see is a continuation of the mild weather, but with rather less moisture than of late. We have enjoyed those sort of springs before and there is every reason expect another.

Faced with the budget cuts and other horrors with which we have been threatened, we farmers would feel far better able to cope with a good season under our belts.

MidAm surveillance 'inadequate'

BY DEBORAH HARGREAVES IN CHICAGO

THE CHICAGO Board of Trade has been given 60 days to tighten up its overview procedures for the MidAmerica Commodity Exchange, which it took over in 1986.

In a report on the affiliation the Commodity Futures Trading Commission, the US regulatory body, criticises the CBOT's inadequate surveillance of the smaller MidAm Exchange.

The MidAm, which affiliated with the CBOT in March 1986, trades a range of commodity and financial futures contracts that are smaller derivatives of contracts traded on other exchanges.

It trades four primary contracts: platinum and copper futures, as well as rice and cotton futures trading on the Chicago Rice and Cotton Exchange, with which the MidAm affiliated in February 1986.

The CFTC says the CBOT has not adequately integrated the MidAm marketplace into its own surveillance procedures. This is in spite of efforts by the CBOT last June to extend its market overview to nearby trading months for MidAm futures.

Within the next 60 days, the CFTC has called for a complete market surveillance programme for all MidAm contracts including review of deferred month contracts.

Although the agency has not said it suspects manipulation of the MidAm contracts, it does make reference to their low trading volumes. The MidAm's 23 futures contracts and 3 options trade a total of around 200,000 lots a month.

Producers seek cut in coffee quotas

BRAZIL, COLOMBIA and Mexico have jointly requested that the International Coffee Organisation's special executive committee agree to a cut of 1.5m bags (60 kgs each) in international export quotas for the first quarter of 1988, **writes Ann Charters in Sao Paulo.**

Under the International Coffee Agreement a cut would have been triggered had the ICO 15-day average indicator price fallen to 115 cents a lb by the end of 1987, but it ended the year just a hundredth of a cent above that level.

The producing countries were requesting the ICO special committee to cut exports anyway as a gesture in the "spirit of interpretation" of the text of the agreement, a Brazilian Coffee Institute official said yesterday. If the exports are allowed to go ahead coffee prices could fall still further, producers fear.

The request for a policy change based on 0.01 US cents has raised comments of "exaggeration" from consumers and the retort of "exaggeration on whose part?" from Brazil.

There is no date set as yet for a meeting of the eight consumer countries and the eight producer country representatives that sit on the special executive committee. If the African producers were to join in the request to make the cut in supply, the hand of the Latin American producers would be strengthened.

Independent of the outcome of the meeting, a cut of 1m bags can be expected in the first quarter of 1988 if coffee prices stay below 120.00 US cents.

Metals prices

THE LONDON Metal Exchange table printed in the Saturday January 2 issue of the Financial Times carried information relating to trading on Wednesday, December 30 instead of Thursday, December 31.

Readers requiring LME prices as at New Year's Eve's lunchtime close can find them in the "previous" column of today's table.

We apologise for any inconvenience caused.

Bangladesh develops jute pulp process

BY ALASTAIR GUILD IN DHAKA

BANGLADESH could soon be producing pulp from jute by a technique developed in the Bangladesh Forest Research Institute, saving the country over $7m ($3.75) a year in foreign exchange. The new process uses jute cuttings and low-grade jute which are unsuitable for textiles.

It is the first significant result to emerge since the appointment by the Ministry of Jute last April of a task force to investigate alternative uses for the country's main export. Jute has been facing tough international competition from synthetics and a gradual fall in prices.

The country has an annual surplus of over 40,000 tonnes of jute cuttings, the part too hard for use by the textile industry, accounting for over 20 per cent of the total jute strand. Bangladesh also exports 45,000 tonnes each year, mainly for the manufacture of cigarette papers.

A shortage of water at harvesting can render the entire jute strand unsuitable for textile production. The new technique would use its low grade jute also, currently amounting to over 100,000 tonnes each year.

The jute is mixed with sodium sulphate, sodium carbonate, and anthraquinone and boiled together under controlled conditions for three hours to get pulp.

Export surplus

Used commercially, a new technique should eliminate the need for pulp imports and leave a surplus of good quality pulp for export, says the BFRI.

Bangladesh currently imports annually 11,000 tonnes of high quality pulp at a cost of $700 per tonne. This is then blended with pulp produced from bamboo, grass, wood, and sugar cane bagasse at three of the country's four pulp and paper mills. But these raw materials are in increasingly short supply.

A mill was built at Sylhet to supply the other three with quality pulp, but never went into full-scale production. It was to use 80 per cent straw and reeds and 20 per cent jute cuttings, but straw and jute required different processing techniques, so both lines could not run concurrently, and there is now a shortage of straw.

"Either the Sylhet mill will be converted to use 100 per cent jute or a new mill will be built," says Dr Mustafizur Rahman, general manager of research at the public sector Bangladesh Jute Mills Corporation.

The new process, known as NS-NQ should improve on the yield and reduce the wastage which occurs in conventional methods. BFRI estimates, for example, that NS-NQ will produce 13.5 per cent additional pulp from the same quantity of jute.

Bamboo currently gives a 50 per cent yield and 80 per cent wastage. The new technique using jute should give a 60 per cent yield for newsprint quality paper and a more than 80 per cent yield for packaging.

A study by the Food and Agricultural Organisation has suggested that jute or kenaf, a jute-type plant, would prove more expensive for pulp production than bamboo. But the FAO estimating was based on a yield from kenaf of 41.9 per cent.

"Better recovery of chemicals using the BFRI developed processing technique, we hope, will make it cheaper," says Dr Rahman.

The Government has already said it is seriously thinking of setting up a 45,000 tonnes annual production capacity pulp mill using jute at Kurigram in North West Bangladesh. But no final decision is expected until the Government has reviewed the BJMC's findings on the new process, which is due for submission at the end of this month.

Tea bags

In a separate development, BJMC, with the Bangladesh Tea Research Institute and British consultants, Duncan MacNeill has developed a sealed jute bag lined with aluminium for the packing and export of tea.

Bangladesh tea exporters faced with a shortage of raw materials for tea chests would expect to use 1m of these 50kg bags a year. There could also be export potential. Sri Lankan and African tea-producing countries have already abandoned the tea chest and are using crepe paper for containers.

"The idea is to preserve as much of our wood resources as possible," says Dr Rahman. "But the drawback is the present cost of aluminium foil, which Bangladesh has to import. The bag also has to be glued or heat-sealed. If the project went ahead, we would establish a dedicated plant."

WORLD COMMODITIES PRICES

LONDON MARKETS

A HECTIC day on the London Metal Exchange yesterday saw the three months Grade A copper price surge more than £50 a tonne to an all-time high in early trading. But the strength was short-lived. With New York's Comex failing to follow through on its recent gains and LME warehouse stocks registering a substantial rise the gains were given up during the afternoon. By the close the three months price was quoted at £1,465.50 a tonne, down £7.50 from the New Year's Eve level, and cash metal was £42.50 down at £1,657.50 a tonne. Dealers said the initial rise had reflected expectations that the run-down in free market supplies would continue into the new year. But in the face of heavy speculative buying the market became overbought and long holders began to take profits. And the reversal was fuelled by the surprise stocks news. A sharp stocks rise also depressed zinc prices

SPOT MARKETS

Crude oil (per barrel FOB January)		+ or -
Dubai	$15.15-5.30y	+0.025
Brent Blend	$17.90-8.00	+0.15
W.T.I.(1 pm est)	$17.30-7.40y	+0.50
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$163-166	
Gas Oil	$154-157	+0.5
Heavy Fuel Oil	$77-80	+1.5
Naphtha	$146-148	+1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♦	$480	−6.5
Silver (per troy oz)♦	652c	−19.5
Platinum (per troy oz)	$499.25	−3.25
Palladium (per troy oz)	$122.00	−1.25
Aluminium (free market)	$2040	+5
Copper (US Producer)	142½-46¼c	
Lead (US Producer)	42c	
Nickel (free market)	415c	
Tin (European free market)	£3750	
Tin (Kuala Lumpur market)	17.17r	+0.12
Tin (New York)	322.5c	+1
Zinc (Euro. Prod. Price)	$880	
Zinc (US Prime Western)	44.375c	
Cattle (live weight)†	105.01p	−0.39*
Sheep (dead weight)†	184.78p	−11.18*
Pigs (live weight)†	69.16p	−3.84*
London daily sugar (raw)	$244v	+6.4
London daily sugar (white)	$245v	+3
Tate and Lyle export price	£237.50	+3
Barley (English feed)	£113.00	+0.50
Maize (US No. 3 yellow)	£136.00	
Wheat (US Dark Northern)	£91.25u	+0.25
Rubber (spot)¶	62.25p	−0.25
Rubber (Feb) ¶	64.00p	−0.25
Rubber (Mar) ¶	63.75p	−0.25
Rubber (KL RSS No 1 Jan)	274.00m	
Coconut oil (Philippines)§	$595v	
Palm Oil (Malaysian)§	$490	
Copra (Philippines)§	$385	
Soyabeans (US)	£165.50	
Cotton "A" index	74.85c	−1.50
Wooltops (64s Super)	484p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. w-Feb/Mar. v-Jan/Feb. z-Dec. y-Feb. u-Apr/May † Meat Commission average fatstock prices. * change from a week ago. ¶ London physical market. § CIF Rotterdam ♦ Bullion market close. m-Malaysian/Singapore cents/kg

COCOA £/tonne

	Close	Previous	High/Low
Mar	1067	1049	1072 1050
May	1089	1068	1090 1070
Jly	1109	1088	1109 1094
Sep	1128	1109	1128 1113
Dec	1153		1153 1135
mar	1178	1162	1176 1160
May	1196		1195 1185

Turnover: 2587 (1127) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for December 31: 1356.97 (1353.68) .10 day average for January 4: 1361.66 (1361.66).

COFFEE £/tonne

	Close	Previous	High/Low
Jan	1176	1165	1178 1159
Mar	1205	1187	1205 1186
May	1222	1206	1228 1207
Jly	1243	1225	1242 1228
Sep	1270	1246	1254 1250
Nov	1285	1260	1277 1260
Jan	1305	1290	1295

Turnover: 4379 (3427) lots of 5 tonnes
ICO indicator prices (US cents per pound) for December 31: Comp. daily 1979 112.53 (114.31); 15 day average 115.01 (115.21).

SUGAR $ per tonne

Raw	Close	Previous	High/Low
Mar	218.60	211.80	220.00 212.60
May	217.60	210.60	218.60 211.80
Aug	217.20	209.60	218.60 210.40
Oct	217.40	209.60	218.00 210.80
Dec	218.40	210.60	
Mar	221.00	214.00	221.00 215.00
May	222.00	215.60	223.40
White	**Close**	**Previous**	**High/Low**
Mar	254.30	248.50	255.50 248.00
May	258.30	252.00	257.50 251.00
Aug	263.20	257.00	263.00 255.00
Oct	263.20	257.00	264.00 258.00
Dec	264.00	257.50	
Mar	269.00	262.00	266.00
May	272.00	266.00	

Turnover: Raw 5818 (1762) lots of 50 tonnes; White 1275 (1240).
Paris- White (FFr per tonne): Mar 1360, May 1382, Aug 1412, Oct 1410, Dec 1415, Mar 1450.

GAS OIL $/tonne

	Close	Previous	High/Low
Jan	152.50	149.50	153.75 149.75
Feb	150.25	148.50	150.25 148.75
Mar	145.00	140.50	145.00 142.50
Apr	141.00	136.25	141.00 138.75
May	138.50	133.75	138.50 134.25
Jun	139.25	134.50	140.00 139.25
Jul	138.25	134.50	138.25

Turnover: 4011 (1986) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Jan	113.00	113.60	113.55 113.00
Mar	115.00	115.35	115.55 115.00
May	117.30	117.80	117.80 117.25
Jly	119.90	120.25	120.25 119.90
Sep	103.55	103.55	103.55
Nov	105.55	105.55	
Jan	108.30	108.30	
Barley	**Close**	**Previous**	**High/Low**
Jan	107.65	107.40	107.90 107.50
Mar	109.85	109.75	110.25 109.85
May	111.00	110.80	111.30 111.00
Sep	98.10	98.10	
Nov	100.50	100.50	
Jan	102.60	102.60	

Turnover: Wheat 133 (185), Barley 64 (28) lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 0 tonne
Cash	2037-47	2030-40		2030-50		
3 months	1937-47	1900-10		1930-50	1925-35	3,279 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 16,575 tonne
Cash	1085-7	1060-1		1090-2		
3 months	1023-4	1007-8	1028/1017	1028-7	1017-8	50,819 lots
Copper, Grade A (£ per tonne)						Ring turnover 52,725 tonne
Cash	1655-60	1695-705	1700/1660	1698-700		
3 months	1465-6	1472-4	1520/1456	1499-501	1466-7	76,809 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1550-60	1625-35		1560-80		
3 months	1430-40	1445-55		1465-75		66 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	649-52	673-5		659-62		
3 months	*661-4*	*684-7*		*670-3*	*665-70*	*645 lots*
Lead (£ per tonne)						Ring turnover 7,575 tonne
Cash	369-70	356-6.5	373/370	373-4		
3 months	354-5	344.5-45	357/345	355-6	357-8	11,614 lots
Nickel (£ per tonne)						Ring turnover 1,374 tonne
Cash	4910-20	4960-70	4900	4910-20		
3 months	4700-5	4710-20	4710/4675	4685-90	4695-715	14,997 lots
Zinc (£ per tonne)						Ring turnover 4,800 tonne
Cash	453-4	464.5-5.5	456	455-7		
3 months	458-9	467.5-68	463/455	459-60	458-60	12,174 lots

POTATOES £/tonne

	Close	Previous	High/Low
Feb	99.30	103.00	
Mar	87.80	90.00	
Apr	144.80	145.50	145.50 144.50
May	158.60	159.00	
Nov	90.00	95.00	
Feb	96.00	100.00	

Turnover: 63 (35) lots of 100 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Feb	141.00	141.00	139.50
Apr	132.00	135.00	131.00
Jun	123.50	126.00	
Aug	121.00	121.00	
Oct	122.00	120.00	
Dec	124.00	123.00	
Feb	126.00		

Turnover: 9 (0) lots of 100 tonnes.

FREIGHT FUTURES £/index point

	Close	Previous	High/Low
Jan	1314.5	1295.5	1316.0 1299.0
Apr	1343.0	1321.0	1343.0 1328.0
Jly	1187.0	1186.0	1187.0 1170.0
Oct	1290.0	1275.0	1290.0 1285.0
BFI	1265.5	1263.5	

Turnover: 218 (43)

TEA
There were 22,882 packages on offer in this week's sale including 1,400 packages in the offshore section, reports the Tea Brokers' Association. Assams sold readily at around previous rates and there was more enquiry for plainer lines, which rose in price. Bangladesh teas were well supported and frequently gained 2-3p. Best liquoring East Africans were very irregular with selected dusts considerably dearer but others 5-10p down. Mediums opened firm to 4p higher and closed very steady. Central Africans showed little change apart from the plainest, which lost ground. Ceylons met fair demand at a regular rate. Offshore teas received good enquiry at about last traded levels. Quotations: quality 185p a kg. nominal (185p); medium 125p (125p); low medium 90p (90p).

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	479¾-480¼	258¼-258¾
Opening	484¼-484¾	258½-259
Morning fix	484.10	258.324
Afternoon fix	480.50	258.335
Day's high	484½-485	
Day's low	478-479	
Coins	**$ price**	**£ equivalent**
US Eagle	494-499	263¾-266¾
Mapleleaf	494-499	263¾-266¾
Britannia	494-499	263¾-266¾
Krugerrand	478½-481½	255½-257½
1/2 Krug	251-260	133¾-136½
1/4 Krug	125-133	66¾-71
Angel	496-501	264½-267
1/10 Angel	50-55	26¾-29¼
New Sov.	112¾-113¾	60¼-61
Old Sov.	112¾-114¾	60¼-61¼
Noble Plat	517-527	275.75-281.1
Silver fix	**p/fine oz**	**US cts equiv**
Spot	353.65	663.50
3 months	361.35	675.40
6 months	369.70	688.15
12 months	386.40	714.10

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls Mar	Calls May	Puts Mar	Puts May
Strike price $ tonne	Mar	May	Mar	May
1950	109	84	92	164
2000	86	69	119	197
2050	67		149	
Aluminium (99.5%)	**Calls**		**Puts**	
1900	121	101	93	175
1950	97	84	119	206
2000	77	69	148	241
Copper (Grade A)	**Calls**		**Puts**	
2600	362	294	158	356
2750	283	240	227	447
2850	238		281	

US MARKETS

The precious metals came under pressure from trade selling which touched off commission house stops in response to a stronger US dollar, reports Drexel Burnham Lambert. Short-covering pared losses before fresh selling towards the close eased prices again. Reports indicating the possibility that Opec members may adhere to production quotas early in 1988 led to commission house and fund short-covering in the energy futures. Sugar rallied on reports of continued good physical offtake as trade buying, reflecting possible purchases by India, touched off commission house stops in the face of scale-up profit-taking selling. Technical and commission house buying and fund short-covering firmed cocoa. Cotton rallied on trade and commission house buying. The meats were firm, despite easier cash prices, on local short-covering and commission house buying reflecting both outside market strength and logistical problems caused by bad weather in the Mid-West.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jan	478.1	486.2	479.2	479.2
Feb	480.5	488.9	484.5	479.5
Mar	483.1	491.6	0	0
Apr	486.3	494.9	490.9	485.0
Jun	491.8	500.7	496.4	491.5
Aug	497.8	506.6	501.0	500.0
Oct	504.0	513.2	507.4	503.0
Dec	510.2	519.6	513.0	510.5
Feb	516.7	526.3	519.0	519.0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Feb	17.51	16.70	17.51	16.89
Mar	17.33	16.59	17.33	16.78
Apr	17.22	16.49	17.22	16.71
May	17.10	16.40	17.09	16.68
Jun	17.00	16.33	17.00	16.69
Jul	15.80	16.27	16.82	16.42
Aug	16.80	16.21	16.70	16.48
Sep	16.63	16.15	16.63	16.40
Oct	16.56	16.09	16.65	16.48
Nov	16.50	16.03	16.50	16.50

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jan	647.0	668.2	652.0	652.0
Feb	651.2	672.8	651.0	650.0
Mar	655.0	677.0	665.0	650.0
May	664.3	686.5	675.0	661.0
Jul	662.2	695.8	685.0	670.0
Sep	682.2	704.9	695.0	684.0
Dec	697.1	720.3	710.0	690.0
Jan	701.5	724.9	0	0
Mar	711.7	735.4	0	0
May	722.2	745.9	725.0	725.0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	143.50	146.00	143.50	142.00
Feb	134.50	136.70	0	0
Mar	128.50	127.40	127.00	123.50
May	107.50	108.20	108.25	105.00
Jul	94.50	94.80	95.00	92.75
Sep	90.70	90.70	90.70	89.30
Dec	89.00	189.00	88.60	87.60
Jan	88.80	88.80	0	0
Mar	88.30	88.30	86.00	86.00
May	88.10	788.30	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	496.3	500.6	502.0	498.0
Apr	502.5	507.6	509.8	499.0
Jul	509.6	515.1	516.0	507.5
Oct	517.6	523.1	523.5	522.5
Jan	525.6	531.1	0	0
Apr	542.0	0	0	0

HEATING OIL 42,000 US galls; cents/US galls

	Close	Previous	High/Low	
Feb	52.80	49.98	52.90	50.65
Mar	49.73	47.73	49.73	48.45
Apr	47.50	45.50	47.50	46.30
May	46.18	44.18	45.85	44.80
Jun	45.45	43.45	45.45	44.70
Jul	45.40	43.40	44.95	44.10
Aug	46.05	44.05	45.60	45.60
Sep	46.75	44.75	0	0
Oct	47.45	45.45	0	0
Nov	48.15	46.15	0	0

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1840	1814	1860	1806
May	1862	1842	1885	1835
Jul	1890	1866	1915	1872
Sep	1916	1903	1935	1910
Dec	1958	1945	1960	1945
Mar	1991	1979	0	0
May	2015	2003	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	126.30	125.96	127.55	125.55
May	128.65	128.38	129.80	128.00
Jul	130.60	130.50	131.50	129.50
Sep	132.63	132.06	133.00	133.00
Dec	135.05	134.16	135.00	135.00
Mar	137.13	136.01	137.00	137.00
May	137.00	141.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	9.75	9.49	9.84	9.59
May	9.69	9.41	9.78	9.48
Jul	9.68	9.39	9.75	9.48
Oct	9.71	9.35	9.79	9.53
Jan	9.73	9.48	0	0
Mar	9.93	9.61	9.98	9.75
May	10.00	9.62	10.00	9.90

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	67.46	66.76	68.10	66.27
May	68.35	67.65	68.90	67.20
Jul	68.45	68.20	69.00	67.75
Oct	64.95	64.90	65.30	64.80
Dec	64.00	63.97	64.55	64.00
Mar	65.30	65.30	0	0
May	65.55	65.70	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	162.00	161.95	163.25	161.90
Mar	164.50	164.10	167.00	164.25
May	166.00	165.70	167.00	165.90
Jul	166.30	166.50	167.00	166.00
Sep	166.30	168.00	166.00	166.00
Nov	161.50	160.50	162.00	162.00
Jan	159.95	159.25	160.00	158.00
Mar	159.95	159.25	0	0
May	159.95	159.25	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Dec 31	Dec 30	mnth ago	yr ago
1746.0	1730.5	1709.3	1637.4

DOW JONES (Base: December 31 1974 = 100)

Spot	134.44	133.42	129.64
Futures	135.29	135.11	131.07

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	616/2	607/0	618/4	604/4
Mar	625/0	614/6	628/0	612/0
May	633/2	622/0	636/0	620/0
Jul	639/2	624/4	640/4	624/0
Aug	635/4	626/0	639/4	623/0
Sep	624/0	615/0	626/4	616/4
Nov	620/2	609/4	622/0	608/4
Jan	627/0	615/0	627/4	620/4
Mar	636/0	621/0	0	0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jan	20.98	20.77	21.16	20.70
Mar	21.31	21.11	21.55	20.98
May	21.60	21.41	21.80	21.35
Jul	21.77	21.55	21.92	21.50
Aug	21.80	21.50	21.95	21.60
Sep	21.80	21.50	21.86	21.60
Oct	21.75	21.60	21.75	21.75
Dec	21.80	21.80	21.85	21.60

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jan	203.4	201.5	204.5	200.7
Mar	195.2	192.6	196.5	191.8
May	188.4	185.2	189.5	185.0
Jul	185.1	182.7	186.5	182.0
Aug	184.5	182.0	185.0	182.0
Sep	183.0	182.0	183.5	182.0
Oct	181.0	179.2	182.0	181.0
Dec	181.5	179.5	183.0	179.5
Jan	180.5	178.0	180.0	181.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	187/4	184/6	188/0	184/2
May	193/4	191/2	194/0	190/2
Jul	198/2	195/2	198/2	194/4
Sep	200/0	196/2	200/4	196/6
Dec	202/6	197/0	203/6	196/4
May	213/4	207/6	210/0	205/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	314/2	310/6	314/2	311/2
May	312/2	307/4	312/4	306/0
Jul	303/2	299/6	303/4	300/0
Sep	307/0	303/0	307/0	304/0
Dec	315/0	313/0	315/0	313/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	63.90	63.12	64.25	62.60
Apr	66.10	65.42	66.32	65.10
Jun	66.07	65.50	66.60	65.30
Aug	63.52	62.82	63.85	62.72
Oct	62.55	61.90	62.90	61.85
Dec	63.70	0	63.90	63.17
Feb	64.25	0	63.25	0

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	41.97	41.07	42.05	40.65
Apr	39.12	38.45	39.20	38.12
Jun	42.65	42.00	42.87	41.90
Jul	43.62	43.35	43.95	43.25
Aug	42.92	42.35	42.92	42.10
Oct	38.60	38.55	38.75	38.50
Dec	39.45	0	39.45	39.32

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	51.22	51.32	52.60	50.85
Mar	51.35	51.42	52.60	51.00
May	52.90	52.35	53.70	52.27
Jul	53.30	52.75	54.00	52.95

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Central banks boost dollar

THE FIRST round of new year trading was won convincingly by central banks. Concerted intervention, notably by the Bank of Japan, was sufficient to catch traders off guard as the market still struggled to gear up to full trading volume after the long Christmas break.

The West German Bundesbank and the Swiss central bank were active as trading opened in Europe but not on the same scale as the $1bn estimated intervention by the Bank of Japan. Active participation by the US Federal Reserve was seen as the key factor deterring investors from maintaining short dollar positions.

However such intervention was seen more as psychological than therapeutic in its effect, failing as it did to remove underlying fears about the US trade and budget deficits. In addition the only short term prop for the dollar, apart from support by central banks, was a rise in US interest rates. This was regarded by most analysts as being unpalatable, partlybecause of the implications for the US economy but also because such a move would be unpopular in the run up to November's Presidential election.

Intervention by the Bank of Japan in Tokyo quickly reversed the dollar's shaky start to the new year and as one trader suggested, this would ultimately give the bear traders a better level to sell into.

The dollar closed at DM1.5850 up from a low of DM1.5730 and Thursday's close of DM1.5740. Against the yen it rose to Y122.75 from Y121.85, having been as low as Y121.65. Elsewhere it finished at SFr1.2950 from SFr1.2755 and FFr5.3575 compared with FFr5.3425. On Bank of England figures, the dollar's exchange rate index rose from 90.5 to 91.2.

STERLING—Trading range against the dollar in 1987/88 is 1.8785 to 1.4710. November average 1.7770. Exchange rate index 75.9 against 75.7 at the opening and 75.8 on Thursday. The six months ago figure was 72.8.

Sterling recovered from a weaker opening, helped by higher oil prices and a generally bullish economic outlook. Fears of a widening trade deficit later this year were tempered by expectations of higher interest rates, as reflected in the ever sharpening yield curve.

The pound was slightly lower against the dollar at $1.8760 from $1.8785 but rose against the D-Mark to DM2.9750 from DM2.9600 and Y230.25 compared with Y228.0. Elsewhere it closed at SFr2.4100 from SFr2.3950 and FFr10.05 compared with FFr10.0350.

D-MARK—Trading range against the dollar in 1987/88 is 1.9305 to 1.5740. November average 1.6509. Exchange rate index 152.3 against 146.7 six months ago.

The Bundesbank gave active support to the dollar both in open trading and at the fixing. The dollar was fixed at DM1.5816, just above the record fixing of DM1.5815 on Thursday and the Bundesbank bought $25.6m at the fixing.

Elsewhere the steadier dollar helped to relieve any possibility of a build up of pressure within the EMS.

JAPANESE YEN—Trading range against the dollar in 1987/88 is 159.45 to 121.85. November average 135.90. Exchange rate index 244.9 against 218.5 six months ago.

Intervention by the Bank of Japan, estimated at up to $1bn, helped the dollar recover from record lows touched in early Tokyo trading. Trading volume was still not back to normal and the Bank's aggressive stance was sufficient to encourage short covering.

The dollar touched a low of Y120.45 before recovering to close at Y121.65 compared with Y121.05 in New York on Thursday.

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

[illegible]

Forward premiums and discounts apply to the US dollar

POUND SPOT- FORWARD AGAINST THE POUND

[illegible]

Belgian rate is for convertible francs. Financial franc 62.50-62.60. Six-month forward dollar 1.53-1.48cpm, 12 month 2.95-2.85cpm

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

*All SDR rates are for Dec.31.

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 33.30-33.40.

CURRENCY MOVEMENTS

[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

EURO-CURRENCY INTEREST RATES

[illegible]

Long term Eurodollars: two years ... per cent; three years ... per cent; four years ... per cent; five years ... per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

OTHER CURRENCIES

	£	$
N. Zealand	2.8460-2.8510	1.5200-1.5220
Saudi Ar.	7.0280-7.0340	3.7495-3.7505
Singapore	3.7475-3.7560	2.0015-2.0025
S. Af (Cm)	3.5920-3.6080	1.9195-1.9230
S. Af (Fn)	5.7230-5.9030	3.0535-3.1495
Taiwan	53.15-53.45	28.50-28.60
U.A.E.	6.8840-6.8500	3.6725-3.6735

*Selling rate

EXCHANGE CROSS RATES

H Fl.	0.299	0.561	0.889	68.86	3.004	[illegible]
Lira	0.456	0.855	1.357	105.0	4.583	[illegible]
C $	0.410	0.769	1.220	94.46	4.122	[illegible]
B Fr.	1.603	3.006	4.768	369.1	16.11	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Quiet start to new year

LIFFE TRADING was relatively subdued yesterday. Attention seemed to be fairly evenly divided between the dollar's short term performance, and the outlook for sterling in the long term.

Three-month sterling deposits opened down from Thursday at 90.94 for March delivery, although this later proved to be just one tick below the day's high. Early selling provoked little resistance until a key support level of 90.81 was touched, but not breached. One dealer suggested that the market was looking for a further 30 point fall if this were broken.

However cash rates, although a shade firmer, were not actively pushing for a rise in base rates just yet. This remained much more a fear than a probability for the time being.

Consequently the March price recovered for a while as central bank intervention boosted the dollar and reduced fears about a rise in US rates. However the honeymoon proved to be rather short and renewed selling took the price down to the day's low of 90.81 at the close.

In addition cash rates at the short end were experiencing a squeeze caused by seasonal tax payments, and this was likely to be a key factor over the coming two weeks.

Gilt futures operated in a reverse fashion, struggling with some success to recover from opening lows. However there was little real interest and trading volume was only a third of an average day.

US Treasury bond futures finished the day on a firm note, after a shaky start, helped by central bank intervention to underpin the dollar. An early hiccup after the opening of US markets was soon reversed and buying in Chicago left the March contract at 89-05, up from 88-13 on Thursday.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-Last Mar	Calls-Last Jun	Puts-Last Mar	Puts-Last Jun
116	3.22	4.33	0.60	2.15
118	2.07	3.27	1.45	3.09
120	1.13	2.33	2.51	4.15
122	0.41	1.51	4.15	5.33
124	0.21	1.16	5.59	6.62
126	0.11	0.54	7.49	8.36
128	0.07	0.35	9.45	10.17
130	0.03	0.22	11.41	12.04

Estimated volume total, Calls 1120 Puts 750
Previous day's open int: Calls 28,362 Puts 14,338

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-Last Mar	Calls-Last Jun	Puts-Last Mar	Puts-Last Jun
82	7.19	7.18	0.09	0.62
84	5.33	5.53	0.23	1.33
86	3.59	4.35	0.49	2.15
88	2.39	3.29	1.29	3.09
90	1.34	2.35	2.24	4.15
92	0.54	1.54	3.44	5.34
94	0.27	1.18	5.17	6.62
96	0.12	-	7.02	

Estimated volume total, Calls 40 Puts 4
Previous day's open int: Calls 847 Puts 762

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-Last Jan	Calls-Last Feb	Puts-Last Jan	Puts-Last Feb
16000	15.97	18.77	1.52	4.32
16500	12.18	15.48	2.73	6.03
17000	8.93	12.59	4.48	8.14
17500	6.29	10.09	6.84	10.64
18000	4.24	7.97	9.79	13.52
18500	2.74	6.20	13.29	16.75
19000	1.70	4.76	17.25	20.31
19500	1.01	-	21.56	

Estimated volume total, Calls 7 Puts 10
Previous day's open int: Calls 28 Puts 32

LIFFE £/$ OPTIONS

[illegible]

LONDON SE £/$ OPTIONS

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

LIFFE- EURODOLLAR OPTIONS

[illegible]

LONDON

20-YEAR 12% NOTIONAL GILT

[illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND

[illegible]

THREE MONTH STERLING

[illegible]

FT-SE 100 INDEX

[illegible]

THREE MONTH EURODOLLAR

[illegible]

U.S. TREASURY BONDS 8%

[illegible]

CURRENCY FUTURES

POUND-$ (FOREIGN EXCHANGE)

[illegible]

IMM-STERLING Se per £

[illegible]

LIFFE-STERLING £25,000 $ per £

[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8%

[illegible]

U.S. TREASURY BILLS (IMM)

[illegible]

SWISS FRANC (IMM)

[illegible]

JAPANESE YEN (IMM)

[illegible]

DEUTSCHE MARK (IMM)

[illegible]

THREE-MONTH EURODOLLAR (IMM)

[illegible]

STANDARD & POORS 500 INDEX

[illegible]

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on Monday, January 4, 1988. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on US dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers rate; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING	COUNTRY	CURRENCY	VALUE OF £ STERLING	COUNTRY	CURRENCY	VALUE OF £ STERLING
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MONEY MARKETS

UK rates higher

INTEREST RATES were a shade firmer in places in London yesterday. While sterling remained steady against its exchange rate index, there were fears that a deteriorating trade position later in the year could push the pound weaker.

Three-month interbank money was quoted at 9⅛-8¹⁵⁄₁₆ p.c. up from 8¹⁵⁄₁₆-8¹³⁄₁₆ p.c.

Short term money tended to fluctuate from an opening level of 8⅝-8½ p.c. to a low of 7½ p.c. before ending at 10 p.c. Much of this was due to some uncertainty regarding the size of the day's shortage. Most people had expected a shortage of around £700-800m so the early forecast of £150m was treated with suspicion.

UK clearing bank base lending rate 8½ per cent from December 4

The dilemma was apparently caused by payments of petroleum revenue tax and doubts about whether these had gone through. Later revisions suggested that they had. The Bank of England forecast a shortage of around £150m with factors affecting the market including the repayment of any late assistance and bills maturing in official hands together with a take up of Treasury bills draining £652m and banks' balances brought forward £20m below target. These were partly offset by Exchequer transactions which added £125m and a fall in the note circulation of £415m.

The forecast was described as tentative and was later revised to a shortage of around £550m and then to £850m. The Bank gave assistance in the morning of £419m through outright purchases of bills, comprising £2m of Treasury bills and £51m of eligible bank bills in band 1 and £8m of eligible bank bills in band 2. In band 3 it bought £11m of eligible bank bills and a further £281m in band 4 as well as £66m of local authority bills, all at 8⅜ p.c.

Another revision took the forecast to a shortage of around £750m, before taking into account the morning help and the Bank gave additional assistance in the afternoon of £227m through outright purchases of £200m of eligible bank bills in band 1 and £27m in band 4, all at 8⅜ p.c. Late help came to £185m, making a total of £831m.

In Frankfurt, the Bundesbank announced a 15-day sale and repurchase tender at a fixed rate of 3.25 p.c. The rate is unchanged from the previous agreement. Successful allocations will be credited today.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

NEW YORK (Lunchtime)

[illegible]

Treasury Bills and Bonds

[illegible]

LONDON MONEY RATES

[illegible]

EUROPEAN OPTIONS EXCHANGE

Series		Feb. 88 Vol	Feb. 88 Last	May 88 Vol	May 88 Last	Aug. 88 Vol	Aug. 88 Last	Stock
GOLD C	$ 500	173	8.60	19	22	-	-	$ 479.50
GOLD C	$ 520	27	4.10	62	14.10	-	-	$ 479.50
GOLD P	$ 460	122	5.50	25	10	106	15	$ 479.50
GOLD P	$ 480	50	11.50	41	19	10	23	$ 479.50
GOLD P	$ 500	82	26	100	27.50	-	-	$ 479.50
GOLD P	$ 520	-	-	100	42.50	100	43.50	$ 479.50
		Mch. 88		Jun. 88		Sep. 88		
SILVER C	$ 850	100	10	-	-	-	-	$ 651
		Jan. 88		Feb. 88		Mch. 88		
EOE Index C	Fl. 160	42	11.20	-	-	-	-	Fl. 169.29
EOE Index C	Fl. 165	31	7 B	5	11.50 B	-	-	Fl. 169.29
EOE Index C	Fl. 170	265	4.80	10	9 B	-	-	Fl. 169.29
EOE Index C	Fl. 175	172	3	76	7.10 B	-	-	Fl. 169.29
EOE Index C	Fl. 180	336	1.80	5	5.50 B	3	7.50	Fl. 169.29
EOE Index C	Fl. 185	90	0.80	8	3.70	3	6.50 B	Fl. 169.29
EOE Index P	Fl. 160	50	1.30	57	4.80 A	-	-	Fl. 169.29
EOE Index P	Fl. 165	38	2.90	38	7.50	56	9.50 A	Fl. 169.29
EOE Index P	Fl. 170	25	5.30 A	85	9.80	-	-	Fl. 169.29
EOE Index P	Fl. 175	34	9 A	15	13 A	-	-	Fl. 169.29
EOE Index P	Fl. 180	53	11	-	-	-	-	Fl. 169.29
EOE Index P	Fl. 185	21	16	-	-	-	-	Fl. 169.29
$/Fl C	Fl. 175	-	-	27	5.10	-	-	Fl. 178.45
$/Fl C	Fl. 180	20	1.25	43	2.90	99	3.50	Fl. 178.45
$/Fl C	Fl. 185	5	0.20 B	500	1.35	12	2 A	Fl. 178.45
$/Fl C	Fl. 190	-	-	-	-	28	1.30	Fl. 178.45
$/Fl P	Fl. 170	-	-	12	1.20	25	2	Fl. 178.45
$/Fl P	Fl. 175	37	0.90	26	2.90	122	3.90	Fl. 178.45
$/Fl P	Fl. 180	128	2.70	135	4.80	174	6.40	Fl. 178.45
$/Fl P	Fl. 185	43	6.50	15	8.10	6	9.50 B	Fl. 178.45
$/Fl P	Fl. 190	584	12.30	-	-	3	13.20	Fl. 178.45
		Jan. 88		Apr. 88		Jul. 88		
ABN C	Fl. 40	57	1	45	2.80	1	3.60	Fl. 39.30
ABN P	Fl. 44	1152	5	-	-	-	-	Fl. 39.30
AEGON C	Fl. 90	-	-	50	0.60	-	-	Fl. 58.50
AHOLD C	Fl. 75	68	0.30	-	-	-	-	Fl. 58.40
AHOLD P	Fl. 55	20	1.50	-	-	-	-	Fl. 58.40
AKZO C	Fl. 100	114	0.30	206	3.70	13	5.80	Fl. 85.10
AKZO P	Fl. 80	63	1	139	5 A	2	9	Fl. 85.10
AMRO C	Fl. 60	10	0.90	36	3.80	-	-	Fl. 59.20
AMRO P	Fl. 50	-	-	53	1	-	-	Fl. 59.20
ELSEVIER C	Fl. 60	100	0.10	-	-	-	-	Fl. 40.50
ELSEVIER P	Fl. 40	36	0.80	15	4.50	-	-	Fl. 40.50
GIST-BROC. C	Fl. 30	98	0.10	40	0.90	-	-	Fl. 22.90
GIST-BROC. P	Fl. 22.50	10	0.90 A	-	-	45	3.80	Fl. 22.90
HEINEKEN C	Fl. 130	20	2.50	32	9	-	-	Fl. 124.50
HEINEKEN P	Fl. 170	-	-	35	30	-	-	Fl. 124.50
HOOGOVENS C	Fl. 35	63	0.20	62	1.30	-	-	Fl. 25
HOOGOVENS P	Fl. 40	-	-	48	16 A	-	-	Fl. 25
KLM C	Fl. 40	164	0.10	-	-	-	-	Fl. 29
KLM P	Fl. 30	34	1.70 A	532	4	-	-	Fl. 29
NEDLLOYD C	Fl. 180	5	0.70	33	4.50	-	-	Fl. 129.80
NEDLLOYD P	Fl. 150	-	-	5	28.50	41	32	Fl. 129.80
NAT.NED. C	Fl. 50	75	1.30	86	4	30	4.60 B	Fl. 49.10
NAT.NED. P	Fl. 50	10	1.70	63	4	-	-	Fl. 49.10
PHILIPS C	Fl. 40	197	0.10	-	-	-	-	Fl. 26.10
PHILIPS P	Fl. 27.50	72	1.50	62	3.50 B	5	4	Fl. 26.10
ROYAL DUTCH C	Fl. 200	132	4.40	236	12.20 B	2	13	Fl. 201.40
ROYAL DUTCH P	Fl. 200	63	2.60	55	9.50	4	13.50	Fl. 201.40
ROBECO C	Fl. 90	-	-	22	2.50	-	-	Fl. 81.50
UNILEVER C	Fl. 116	314	0.20	-	-	-	-	Fl. 102.20
UNILEVER P	Fl. 100	114	2.20	22	8.50	6	13	Fl. 102.20

TOTAL VOLUME IN CONTRACTS : 25,995

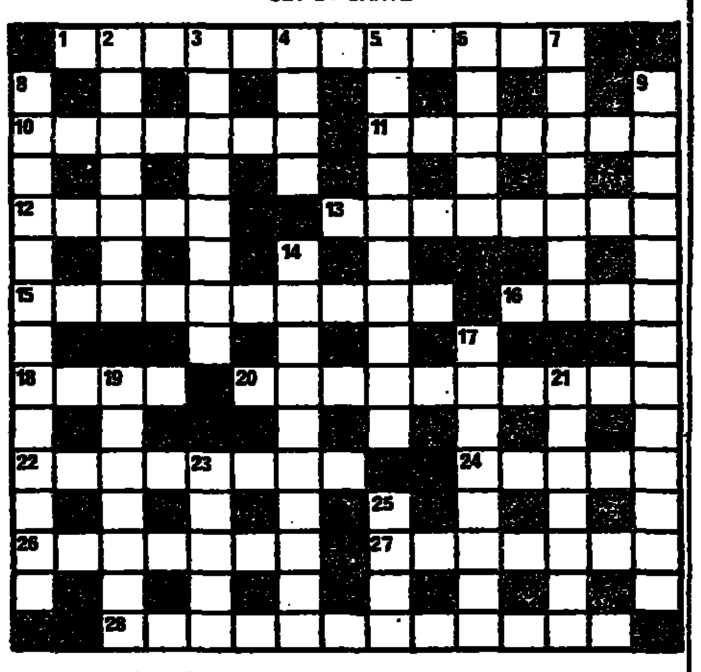
A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	8½	● Charterhouse Bank	8½	Nat Bk. of Kuwait	8½
Adam & Company	8½	Citibank NA	8½	NatWestminster	8½
AAB - Allied Arab Bk	8½	City Merchants Bank	8½	Northern Bank Ltd	8½
Allied Dunbar & Co	8½	Clydesdale Bank	8½	Norwich Gen. Trust	8½
Allied Irish Bank	8½	Comm.Bk.N.East	8½	PK Finans. Intl(UK)	9
American Exp.Bk	8½	Consolidated Cred	8½	Provincial Trust Ltd	9½
Amro Bank	8½	Co-operative Bank	*8½	R. Raphael & Sons	8½
Henry Ansbacher	8½	Cyprus Popular Bk	8½	Roxburghe G'rantee	9½
ANZ Banking Group	8½	Duncan Lawrie	8½	Royal Bk of Scotland	8½
Associates Cap Corp	10	Equat'l Tst.C'p plc	8½	Royal Trust Bank	8½
Authority Bank	8½	Exeter Trust Ltd	9	Smith & Williams Secs.	8½
B & C Merchant Bank	8½	Financial & Gen. Sec.	9	Standard Chartered	8½
Banco de Bilbao	8½	First Nat. Sec. Ltd.	9½	TSB	8½
Bank Hapoalim	8½	● Robert Fleming & Co.	8½	UDT Mortgage Exp	♦10.2
Bank Leumi (UK)	8½	Robert Fraser & Ptnrs.	9½	United Bk of Kuwait	8½
Bank Credit & Comm	8½	Girobank	8½	United Mizrahi Bank	8½
Bank of Cyprus	8½	Grindlays Bank	8½	Unity Trust Bank Plc	8½
Bank of Ireland	8½	● Guinness Mahon	8½	Western Trust	8½
Bank of India	8½	HFC Trust & Savings	8½	Westpac Bank Corp.	8½
Bank of Scotland	8½	● Hambros Bank	8½	Whiteaway Laidlaw	9
Banque Belge Ltd	8½	Heritable & Gen Inv Bk	8½	Yorkshire Bank	8½
Barclays Bank	8½	● Hill Samuel	§8½		
Benchmark Tst Ltd	8½	C. Hoare & Co.	8½		
Berliner Bank AG	8½	Hongkong & Shangh	8½		
Brit Bk of Mid East	8½	Lloyds Bank	8½		
● Brown Shipley	8½	Meghraj Bank Ltd	8½		
Business Mtge Tst	9	Midland Bank	8½		
CL Bank Nederland	8½	● Morgan Grenfell	8½		
Central Capital	8½	Mount Bnkg Corp.	8½		

● Members of the Accepting Houses Committee. * 7 day deposits 3.50% Savewise 6.16%. Top Tier-£2,500+ at 3 months' notice 7.81%. At call when £10,000+ remains deposited. ♦ Mortgage base rate. § Demand deposit 3.49%. Mortgage 10% - 10.25%

FT CROSSWORD No.6,521
SET BY DANTE



ACROSS

1 An aimless order? (4,2,6)
10 Sand put out for the rubbish collector (4-3)
11 For punishment, keep in and cane, perhaps (7)
12 What one thinks about a bad side (5)
13 Monk who founded an order on Scottish mountain (8)
15 Came between people (10)
16 Long island in Scotland? No! (4)
18 Urban area to the west and north (4)
20 Homespun gin? (7,3)
22 No varieties in the numbers crawling (3,5)
24 What one says when taking French leave?(5)
26 Noise or disturbance can be wearing (7)
27 Ruined, end life with firearm (7)
28 A blinking sham (5,7)

DOWN

2 Study in group including leading politician (7)
3 Disclosure in open court or in camera (8)
4 Get the pitch in good order (4)
5 Recognises and arrests (10)
6 Five hundred bet on a poet (5)
7 Just say I am in a French resort (7)
8 Is in control of distant armies perhaps (13)
9 Go over the limits? (4,3,6)
14 A sober habit (10)
17 It's terrible how Freud gets the lad confused (8)
19 Nowhere near having ample funds? (4,3)
21 They serve, but swear badly about it (7)
23 Oxford college window (5)
25 Extremely light (4)

Solution to Puzzle No.6,520

MATERIAL WRASSE
A R A N E E I
STEMMATA ASKING
H A S I O G H
ENTRANCE PLANET
D Y Y L M U I E
MINESTRONE
P S F M T E R N
OSTEOPATHY
T A O X U D G T
ADNATE ESTIMATE
T D R E C R N
ONAGER ALSATIAN
E R S A S S E
SEDATE THATCHER

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Scimitar Asset Management Ltd
8 Crosby Sq, London EC3A 6AQ 01-588 [illegible]

Scimitar Global Gth Acc	25.2	27.9	—	—
Do. Income	26.1	27.8	—	0.19
Scimitar European Acc	20.9	22.3	—	—
Do. Income	20.9	22.3	—	0.11
Scimitar UK Eq Inc Acc	35.7	37.6	—	—
Do. Income	34.3	36.0	—	4.49
UK Cap Gth Acc	22.3	23.5	—	0.75
Scimitar Pac Basin Acc	24.9	26.5	—	—
Scimitar Mangd Exempt*	138.9	145.8	—	—

*Unauthorised

Scottish Equitable Fund Mgrs. Ltd(z)
28 St Andrews Sq, Edinburgh 031-556 1051

Inval Income Units	125.0	133.0	—	[illegible]
Inval Accum Units	191.2	203.4	—	[illegible]
UK General Acc	36.4	38.9	—	3.11
UK General Inc	35.0	37.4	—	3.12
American	25.6	27.4	—	[illegible]
European	33.5	35.6xd	—	0.94
Japan	48.5	51.9xd	—	—
Technology	32.7	35.0	—	1.42
Performance Trusts				
Far East Perf Tst	34.3	36.4	—	0.64
High Inc Perf Tst Inc	23.0	24.6xd	—	5.37
High Inc Perf Tst Acc	23.5	25.1xd	—	5.37
Worldwide Tact Perf Tst	25.7	27.5	—	—

Scottish Life Investments(z)
19 St Andrew Sq, Edinburgh 031-225 2211

Nelson (UK Equity)	198.5	212.4	+0.3	2.89
Columbus (America)	114.9	122.9	−0.4	1.42
Marco Polo (Pacific)	180.7	193.3	−5.4	0.45
Da Vinci (European)	265.3	279.6	−2.1	1.92
Drake	48.0	51.45	−0.5	3.06

Scottish Mutual Investment Managers Ltd
109 St Vincent St, Glasgow G2 5HN 041-248 6100

Trades Union Unit Trust Managers
100 Wood Street, London EC2 01-626 4985

TUUT Jan 04 88	200.1	213.7	+26.6	3.27

Trident Fd Mngrs. Ltd
Royal Lds. Hse, Colchester CO1 2AA 0206 764400

Trident General	226.3	241.2	−0.5	1.74

Tyndall Unit Trust Managers Limited
25 Bucklersbury, London EC4N 248 3399

Convertible & Gilt	57.1	60.5xd	—	0.69
Accum Units	58.1	61.4	—	—
Income	77.4	82.1	+0.5	5.25
Accum Units	77.4	82.1	+0.5	5.25
Smaller Co's	82.8	87.8	+1.5	1.64
Accum Units	82.8	87.8	+1.5	1.64
UK Growth	84.9	90.0	+0.5	1.50
Accum Units	84.9	90.0	+0.5	1.50

UK Unit Trust Managers Ltd
Worthing Road, Horsham, RH12 1SL 0403 40053

British Growth Fd	52.6	56.0	−0.1	1.34
Technical Analysis Fd	48.5	51.7	−0.2	1.93

Unit Trust Account & Mngmt. Ltd
20 Copthall Ave, London, EC2R 7PA 01-588 4064
Advisors: Vanderbilt Crosthwaite Ltd

Friars Hse Cap Fd	266.7	277.3xd	—	1.71
Friars Hse Inc Fd	145.4	153.0xd	—	3.42

United Charities Unit Trusts (a)(c)(g)
Unicorn Hse, 252 Romford Rd, E7 01-534 5544

United Charities	161.7	172.0	−0.8	4.46

Vanguard Trust Managers Ltd
65 Holborn Viaduct, London EC1A 2EU 01-236 3053
Dealing Line: 01-236 [illegible]

Abingdon Hdg Accum	160.7	171.0	—	2.49
(Accum Units)	163.8	174.3	—	—
Far East & Gen	46.9	49.9	−0.4	0.29

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941

Life Assurance Funds				
Wealth Assur.	364.4	383.6	—	-
Eb'r Ph. Eq.	314.7	334.4	—	-
Pension Plan Funds				
Phoenix				
UK Equity Acc.	156.1	164.3	-0.1	-
International Acc.	117.2	123.3	-1.1	-
Property Acc.	121.8	128.2	—	-
Fixed Interest Acc.	148.1	155.8	-0.4	-
Money Acc.	134.7	141.7	—	-
Bldg. Soc. Link Acc.	131.8	138.7	+0.1	-
Special Mngd. Acc.0	138.6	145.8	-0.3	-
Phoenix/Framlington				
Intnl. Growth Acc.	78.2	82.3	+0.5	-
Amer. & Gen. Acc.	70.1	73.7	+0.3	-
Capital Tst. Acc.	163.8	172.4	+0.2	-
Japan & Gen Acc.	155.6	163.7	+0.1	-
American Turn. Acc.	68.2	71.7	-0.7	-
Recovery Tst. Acc	151.8	159.7	-0.4	-
Special Mngd Acc.	130.1	136.9	+0.1	-
Phoenix/GT				
International Acc.	114.0	119.9	+0.2	-
US & General Acc	84.4	88.8	+1.0	-
Amer Spec Sits Acc.	59.8	62.9	+1.1	-
Japan & General Acc	149.6	157.4	+0.5	-
Far East & Gen. Acc.	120.9	127.2	—	-
UK Capital Acc	162.5	171.0	-0.7	-
European Acc	124.1	130.6	+0.9	-
Special Mngd. Acc.	118.0	124.2	+0.2	-

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

Managed Fund	260.4	274.2	—	-
Max Pens Inc & Cap Fds	332.4	349.9	—	-
Money Fund	110.6	116.5	—	-
Pens. Mngd Fd (Init)	83.0	87.4	—	-
Pens Mngd Fd (Acc)	92.2	97.1	—	-
Pens FT30 Fd (Init)	124.3	130.9	—	-
Pens FT30 Fd (Acc)	138.3	145.6	—	-
Pens O'seas MgFd(Init)	49.9	52.6	—	-
Pens O'seas MgFd(Acc)	55.5	58.5	—	-
Pens Fxd Int Fd (Init)	104.9	110.5	—	-

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 01-405 9222

Prufund				
Managed Dec 25	190.4	198.4	—	-

Prudential Holborn Life Ltd
Portland Hse, Stag Place, Ldn SW1E 5BH 01-630 1661

Managed Fd.	417.7	439.7	-1.6	-
Equity Fd.	850.2	895.0	-7.5	-
Intnl. Fd	290.8	306.2	—	-
Fixed Int. Fd.	353.2	371.8	-1.1	-
Prop. Fd.	299.6	315.4	-0.4	-
Cash Fd.	232.4	244.7	—	-
Pacific Basin Fd.	151.9	159.9	+1.5	-
North American Fd.	114.0	120.0	+1.2	-
European Fd.	131.6	138.6	+1.0	-
Holborn Balanced Gwth Fd	-	-	—	-
Holborn Strategic Gwth Fd	-	-	—	-

Prudential Holborn Pensions Ltd
Portland Hse, Stag Place, Ldn SW1E 5BH 01-630 1661

Managed	439.8	463.0	-2.2	-
Equity	624.8	657.7	-5.3	-
Global Equity	178.2	187.6	+0.4	-
Fixed Interest	362.5	381.6	+1.1	-
Property	299.3	315.1	+0.1	-
Cash	136.5	143.7	—	-
Index Linked GPt	159.6	168.1	-0.5	-
Guaranteed	9.25	10.25	—	-
International Money	187.1	197.0	+0.3	-
North American Fd	51.1	53.8	+0.1	-
Japanese Fund	99.9	105.2	-2.3	-
European Fund	70.9	74.7	+5.1	-
Special Situations Fd	89.5	94.3	+0.1	-
Communications Fund	76.6	80.7	+0.6	-
Smaller Cos Fund	90.2	95.0	+0.3	-

Prudential Pensions Limited

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS – Contd

Undated

Index–Linked

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for April 1987:101.8 and for November 1987: 103.4

(Rebased at 100 January 1987 conversion factor 3.945).

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

AMERICANS – Contd

1987/88 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
39	21	Rep NY Corpn $5	23⅝		$1.16	–	2.7
18¾	8¼	Rockwell Intl. $1	18⅞	+¼	66c	–	3.6
30⅜	16¾	Sara Lee $1(1/3)	18⅞xd	+¼	$1.00	–	2.9
11⅜	8¾	Saul (B. F.) $1	9⅝	+⅛	20c	–	1.2
27½	21¼	Southwestern Bell $1	18⅝	+⅝	h$2.32	–	6.9
22¾	994p	Staley Continental	11¼	+¼	80c	–	3.9
44⅝	21⅝	Sun Co. Inc. $1	27⅛	–⅛	$3.00	–	6.0
42¼	22¼	TRW Inc. $0.625	25⅞xd	–⅞	h$1.60	–	3.4
37⅞	21	Tenneco $5	21¼xd	–⅛	$3.04	–	7.8
220	149½	Do. 10pcLn.Stk. 91-5	155xd		10%	–	f4.7
29⅝	15⅞	Texaco $6.25	19⅜xd	–⅛	$3.00	–	8.2
74½	36½	Time Inc. $1	44⅝xd	+1⅛	$1.00	–	1.2
20⅞	11	Tracor $0.33(1/3)	17½xd		40c	–	1.3
30¾	15	Transamerica $1	15⅞xd	–⅛	$1.84	–	6.3
14¾	1¼	Tramworld Corp $5	754p		20c	–	1.5
27⅛	12¼	TRINOVA Corp.	17		56c	–	1.8
24	12⅝	♦USX $1	15¾	–½	$1.20	–	4.2
37⅞	16¾	Utd. Technologies	18⅛xd	+½	$1.40	–	4.2
38⅝	25⅞	US West	27⅞	+⅝	$3.28	–	6.6
30½	17⅛	Waste Management $1	20⅛	–⅜	–	–	–
31¾	11⅝	Whirpool $1.0	13	+⅛	–	–	–
37⅛	16½	♦Woolworth $3½	19¾	+⅛	$1.32	–	3.9

CANADIANS

1987/88 High	Low	Stock	Price	+ or –	Div Gross	C'vr	Y'ld Gr's
641p	227p	ABM Gold Corp	267p	–20	–	–	–
26½p	10p	♦Abbot Energy Corp	16½p		–	–	–
18⅝	506p	♦Amer. Barrick Res	10⅞	–¼	–	–	–
141p	5p	American Lightwave	5½p		–	–	–
122p	33p	♦Armeno	41p		–	–	–
117p	39½p	Augmitto Expln	49½p	+1½	–	–	–
19⅜	10⅝	Bk. Montreal	10¾xd	–⅛	$2.00	–	7.7
10½	488p	Bk. Nova Scot.	534pxd	+6	72c	–	5.6
20⅝	15	BCE	15¼		$2.40	–	6.6
10⅜	511p	♦Bow Valley	596p	–9	♦40c	–	2.8
20	10⅛	♦Brascan	11⅞	–⅛	88c	–	3.3
609p	186p	♦Breakwater Res.	194p		10c	–	2.1
12¾	411p	Campeau Corp	735p	+32	–	–	–
11½	734p	Can. Imp. Bk. $2	801pxd	–10	$1.08	–	5.6
14	792p	Can. Pacific	847p	+6	60c	–	3.0
42½	37½	Do. 4pc Deb £100	41½xd		4%	–	9.6
827p	332p	Central Capital "A"	413p		–	–	–
152p	38½p	Danbus Res.	77p	+1	–	–	–
780p	370p	Dertan Inds.	370p		11.75c	–	1.3
18	756p	♦Echo Bay Mines	12⅛	–¼	20c	–	0.7
68p	26½p	Energex Minerals	31p		–	–	–
230p	66p	Euro-Asia Capital Ltd.	89p		–	–	–
821p	260p	♦Galactic Resources	260p		–	–	–
69p	41½p	Global Data Systems	27½p	–1½	–	–	–
873p	260p	Granges Expln	365p	–7	–	–	–
19½p	7½p	♦Gt. Pacific Res.	9p		–	–	–
14½	560p	♦Gulf Canada	652p	–25	52c	–	3.3
14¼	782p	♦Hawker Sid Can	858p	+6	96c	–	4.7
740p	332p	Henlys Group	493p	+21	–	–	–
14⅛	767p	♦Hudson's Bay	785p		60c	–	3.2
38¾	21⅛	♦Imperial Oil	22⅞	–⅛	s$1.60	–	2.9
14¼	764p	Inco	11¾	+⅛	US$0.20	–	0.9
230	141p	♦Intl. Corona Res.	18¾		–	–	–
785p	417p	♦Inland Nat. Gas $1	474p	+12	60c	–	5.3
10¾	385p	♦Lacana Mining Corp	503p	–5	Q15c	–	1.2
756p	179p	Madeleine Mines	215p		–	–	–
2456p	102p	♦Muscocho Expln	138p	–6	–	–	–
11¾	465p	♦Ntnl Business Syst.	505p		–	–	–
623p	183p	♦Nevada Goldfields	185p		–	–	–
251	696p	♦Rio Algom	791p	–9	$1.30	–	6.8
19⅞	11¼	Royal Bk. Can.	11⅝	–⅛	$2.08	–	7.5
403p	135p	♦Royex Gold Mining	243p		–	–	–
52¼	27¾	Seagram	28⅞	–½	US$1.00	–	1.9
731p	235p	♦Sonora Gold Corp	323p	–15	–	–	–
208p	21p	Spiral Eng.	25p		–	–	–
15¾	10	Toronto-Dom. Bk.	11½xd	–⅛	84c	–	3.0
228p	19p	♦Trans Atlantic Res	33½p		–	–	–
10¼	591p	♦Trans Can Pipe	658p	–12	$1.12	–	7.2
200p	115p	Varity Corp	131p	+4	8	–	–

BANKS, HP & LEASING

1987/88 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
259	128	ANZ $A1	138xd	–3	Q21c	♦	6.0	♦
*273	175	Allied Irish	200		†Q61.6%	2.8	7.1	7.0
*£16¼	£10½	Algemene Fl.10	£11⅜	+⅛	Q2.7%	2.1	7.0	6.8
*128	53	Anglo Irish	58		Q19.1%	♦	6.7	♦
108	70	Ansbacher (H.) 1p	70		N2.0	–	3.9	–
£49⅝	£24¼	Banco de Bilbao S.A.	£34½		♦Q38%	3.0	2.8	11.7
£34½	£23½	Banco de Santander	£28⅛		†Q19.15%	2.7	1.9	–
*245	175	Bank Ireland Ir£1	200		Q15.3%	2.9	7.0	6.9
£15	£11½	Bank Leumi	£15		–	–	–	–
350	240	Bk. Leumi (UK)£1	350		12.4	–	4.9	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

INSURANCES — Contd

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES — Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND — Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS — Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES — Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

1987/88 High	Low	Stock	Price	+ or -	Div Net	C'vr	Gr's	P/E
[illegible]								
82	41	Kemp (P.E.) 5p	41		–	–	–	–
133	56	Leading Leisure 5p	66		0.9	3.1	1.9	19.1
95	55	Lynx Tech. 5p	65		b–	–	–	7.5
130	95	M.L. Laboratories 1p	108	–1	–	–	–	–
180	87	Medirace 10p	97	+1	–	–	–	–
90	38	Wooca Gold IR 2p	43		–	–	–	–
48	38	Propeller 1p	38		W–	–	–	11.9
*82	17	Publishing Hldgs.5p	29xr	+3	–	–	–	17.4
128	78	Seacon Hldgs	78	–2	–	–	–	11.9
87	38	Theme Holdings	48	+1	1.0	1.9	2.9	25.7
48	28	Tommons Leisure 20p	31	–17	–	–	–	12.4
210	130	UPL Group 10p	130		L2.41	2.8	2.5	19.5
140	103	Unit Group	128		R4.6	2.5	5.3	(8.6)
85	85	Video Tape Recording 5p	85		L2.3	2.3	3.7	12.2

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● Tap Stock
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- \# Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♠ Not comparable
- ◆ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ♭ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	66	
Craig & Rose £1	625	–25
Finlay Pkg. 5p	80	
Holt (Jos) 25p	£11⅞	

IRISH

Fund 11¼% 1988	£100⅝	
Nat. 9¾% 84/89	£99¼	
Fin. 13% 97/02	£123⅛	
Arnotts	305	
CPI Hldgs	53	
Carrol Inds	145	
Dublin Gas	40xr	
Hall (R. & H.)	105	
Heiton Hldgs	43	
Irish Ropes	158¼	
Unidare	250	

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	42
Amstrad	20
BAT	57
BOC Grp	46
BSR	13
BTR	33
Barclays	52
Beecham	52
Blue Circle	44
Boots	28
Bowaters	41
Brit Aerospace	42
Brit. Telecom	28
Burton Ord	32
Cadburys	30
Charter Cons	41
Comm Union	40
Courtaulds	42
FKI Babcock	14
FNFC	33
Gen Accident	105
GEC	22
Glaxo	155
Grand Met	50
GUS 'A'	150
Guardian	110
GKN	36
Hanson	19
Hawker Sidd	55
ICI	145
Jaguar	42
Ladbroke	40
Legal & Gen	33
Lex Service	35
Lloyds Bank	30
Lucas Inds	62
Marks & Spencer	24
Midland Bk	47
Morgan Grenfell	37
NEI	15
Nat West Bk	67
P & O Dfd	65
Plessey	20
Polly Peck	36
Racal Elect	30
RHM	40
Rank Org Ord	65
Reed Intnl	50
STC	29
Sears	18
TI	35
TSB	16
Tesco	22
Thorn EMI	64
Trust Houses	28
T&N	22
Unilever	62
Vickers	22
Wellcome	47
Property	
Brit Land	32
Land Securities	35
MEPC	54
Peachey	47
Oils	
Brit Petroleum	33
Britoil	28
Burmah Oil	52
Charterhall	7
Premier	10
Shell	135
Tricentrol	15
Ultramar	24
Mines	
Cons Gold	125
Lonrho	29
RTZ	48

A selection of Options traded is given on the London Stock Exchange Report Page

LONDON STOCK EXCHANGE

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Dec 21	Jan 7	Jan 8	Jan 18
Jan 11	Jan 21	Jan 22	Feb 1
Jan 25	Feb 4	Feb 5	Feb 15

*New time dealings may take place from 9.00 am two business days earlier.

Chancellor's optimism on economy causes equities to celebrate entry into 1988

THE CHANCELLOR'S optimistic view of the year ahead was well received by investors yesterday, being nominated the prime reason for a fairly confident entry into 1988 by the UK equity market. The rally in the US dollar from the depressed levels reached early on Monday in Far Eastern markets was another factor boosting the performance of the market, highlighted by a broad advance in the main exporting stocks.

Turnover remained moderate, however, because many UK investment institutions continued to show a reluctance to commit funds until more positive moves were announced to reduce the huge US trade and Budget deficits. This lack of institutional business was slightly disappointing for the flow of cash into their coffers increases noticeably during January.

But the absence of sellers saw top-quality industrials edging forward from the opening and, following a spirited start on Wall Street yesterday, the rise gathered pace. Many UK marketmakers were caught wrong-footed by the strength of London and New York, and covering of short book positions carried over from the previous week gave the upturn added momemtum. The FT-SE 100 share index closed 34.8 up, and within a whisker of the session's best, at 1747.5.

Chancellor of the Exchequer, Mr. Nigel Lawson, stressed that the British economy would not be blown off course by "a temporary storm in financial markets". There were no signs of an impending recession, he said, and while admitting that the fall in the dollar poses the main threat to the world economy in 1988, he brushed aside fears that the situation will wreck the prospects for a tax-cutting Budget.

The dollar recovered strongly to close higher againstother leading currencies after official intervention by central banks in Japan and Europe. There was every reason to suppose that the US had also participated in the action. Sterling reacted from the enhanced overnight rates in the Far East to settle lower against the dollar at 1.8730, despite higher crude oil prices.

A rush of New Year investment selections from broking houses and newspaper pundits brought many good features, generally reflecting demand from private investors. While broader market sentiment was also helped by the late rallies in Far Eastern bourses. The troubled Hongkong market confounded pessimists when closing a mere 12 points down on the session after predictions of a possible 100-point drop.

Conventional wisdom should have put the UK bond market better but, with equities taking preference on this occasion, prices slipped back before ending above the lowest. Domestic retail buyers appeared worried by comment of higher base rates this year - three-month interbank money moved higher still in London credit markets yesterday - and there was little resistance to selling of medium-life issues.

The sales were largely from one house which may have been clearing the deck for the last of the three experimental auctions of Gilt-edged stock. The date for this is expected to be announced soon. Sharply higher US Treasury bonds early yesterday failed to arouse potential buyers and longer-dated Gilts struggled to reduce losses of ¾-point to around ½-point at the close.

Britoil and BP headed up an impressive list of firm performers in a generally strong oil share sector. Britoil raced up 9 to a 1987/8 high of 446p, after a turnover of more than 8.1m *shares, with Atlantic Richfield* – along with BP seeking control of Britoil – said to have added to their previously announced 21.2 per cent stake via purchases by Salomon Bros. the securities *house.* ARCO announced *aftere* market hours that its holding had been increased to 21.25 per cent.

BP, which already controls a 29.9 per cent stake in Britoil and *whose formal offer document* is expected in the next week or so, were equally firm with another heavy turnover seen in the new partly–paid shares where over 51m shares changed hands. The Kuwait Investment Office announced that it had increased its stake in BP to 18.34 per cent via purchases on New Year's Eve; the KIO were thought to have picked up a further 20m *–plus partly paid shares yesterday.* The Bank of England's 70p "safety net" expires at 3 pm on Wednesday following which the price of the partly–paid will depend on the price of ther "old" or *fully–paid shares.*

The latter made rapid progress to close 9 firmer at 259p after a turnover of 4.8m shares with sentiment given a major boost by the good showing by crude oil prices. "Notwithstanding bid speculation there is a firm feeling about oil shares and crude prices at the moment" a leading dealer said.

Brent crude for February delivery moved up 35 cents to $17.35 a barrel following reports that OPEC is currently producing less than the 15.06m barrels a day ceiling agreed at the recent meeting and that Abu Dhabi is refusing to offer discounts to its contract customers.

FINANCIAL TIMES STOCK INDICES

	Jan. 4	Dec. 31	Dec. 30	Dec. 29	Dec. 24	Year ago	1987/88 High	1987/88 Low	Since Compilation High	Since Compilation Low
Government Secs	88.47	88.49	88.69	88.82	88.45	86.66	93.32 (8/5/87)	83.73 (19/10/87)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	94.61	95.07	95.08	95.07	94.57	90.42	99.12 (6/5/87)	90.23 (21/1/87)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1402.0	1373.3	1408.0	1382.3	1452.3	1322.6	1926.2 (16/7/87)	1232.0 (9/11/87)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	298.9	302.1	305.3	309.1	303.7	308.9	497.5 (4/8/87)	261.6 (6/11/87)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div.Yield	4.44	4.53	4.42	4.49	4.34	4.35				
Earnings Yld. %(full)	11.10	11.33	11.06	11.25	10.87	10.29				
P/E Ratio (net)(*)	11.04	10.82	11.09	10.90	11.27	11.95				
SEAQ Bargains (5pm)	17,944	15,800	16,546	19,444	8,251	34,376				
Equity Turnover (£m)	-	431.74	774.07	735.19	692.00	857.54				
Equity Bargains	-	16,723	17,909	18,943	13,394	41,288				
Shares Traded (ml)	-	214.0	272.7	260.4	327.4	335.1				

S.E. ACTIVITY

Indices	Dec. 31	Dec. 30
Gilt Edged Bargains	55.6	66.1
Equity Bargains	108.3	116.0
Equity Value	872.7	1564.6
5-Day average		
Gilt Edged Bargains	60.1	67.5
Equity Bargains	118.6	134.9
Equity Value	1493.2	2112.7

♥ Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1382.7	1387.0	1387.5	1389.9	1390.8	1391.2	1396.6	1399.4

Day's High 1402.3 Day's low 1381.9

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974, * Nil=10.92.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-0898 123001

Tricentrol, in receipt of a 145p a share bid from French group Elf, dipped 1½ to 157p after the Tricentrol chairman's criticism of the French group who, he said, was trying to take over Tricentrol "on the cheap".

Among other oil stocks **Enterprise,** also said to be a bid target, hardened 2 to 259p, while **Carless** added 2½ to 97½p and **Premier** a similar amount to 53½p. **Clyde Petroleum** edged up 3 to 105p after Norwich Union announced it had upped its stake in Clyde from 10.5 per cent to 11.3 per cent, or 17.36m shares.

Pearl Assurance, one the *UK's largest life assurance* groups, spurted 15 to 469p, after 470p, on a turnover of 1.4m shares, after rumours of a stake-building exercise were confirmed by news that Mr. Larry Adler's *Australian insurance group* **FAI,** had built up a 5.43 per cent stake in the company. At 470p a share Pearl is valued at more than £840m. Last year FAI acquired a near-15 per cent holding in *merchant bank Hill Samuel which it* sold to TSB group for a substantial profit.

Talk in the market suggested Mr. Adler may well increase his stake to around seven or eight per cent in the hope of flushing out a bidder willing to pay around 550p a share for Pearl.

The banks underperformed the rest of the market – "despite the recent US Government/Mexico deal on reducing Mexico's debt burden, there is still a fair amount of caution in this sector" said a bank share trader.

Barclays, however, responded to a "buy" recommendation from UBS Phillips and Drew and put on 10 to 463p. **NatWest** edged up 5 to 580p and **Midland** 3 to 388p. On the downside profit-taking left **Royal Bank of Scotland** 5 cheaper at 353p and **Standard Chartered** a similar amount off at 460p.

Merchant banks made steady progress, *helped by a positive stance taken on the sector* by securities house BZW. **SG Warburg** – a "buy" *according to* BZW – rose 5 to 330p, as did **Morgan Grenfell,** 285p. **Kleinwort Benson** *hardened 4 to* 325p.

Elsewhere, **First National Finance,** scheduled to reveal preliminary results today – BZW are forecasting £52.1m pre-tax *and SBCI Savory Milln £51.4m* pre-tax, put on 13 to 255p.

The Pearl news triggered strong demand throughout the insurance sector. In lifes **London and Manchester,** regarded as a major bid target by speculators, jumped 15 to 253p, **Legal and General** 9 to 289p and **Sun Life** 28 to 963p.

Composite group **Commercial Union,** where "down-under" interests are known to have a 5 per cent–plus stake, advanced 12 to 345p, and **Royal,** also stalked by Australian predators in recent months, gained 7 at 402p.

The firmness of the dollar and Wall Street gave a boost to insurance brokers where **Willis Faber** spearheaded a general advance, closing 22 higher at 232p after acquisition news. **Sedgwick** put on 5 to 220p despite rumours of recent board-room rows.

Brewereies passed a rather quiet trading session, but occasional support left **Bass** 10 firmer at 829p, while **Wolverhamton and Dudley,** partly reflecting a New Year Press recommendation, improved a *similar amount to 361p.* Among the Regionals, **Buckley's** closed 13 higher at 193p; it was announced yesterday that Guy Cramer, a director of the company, had purchased 116,000 *ordinary shares at 190p per* share.

Leading Building shares took a distinct turn for the better as buyers reappeared. Gains, although modest, took the majority of issues into higher ground with outright bid speculation boosting the likes of **Blue Circle,** finally 6 to the good at 436p and **Magnet,** which closed 12 higher at 210p; the rise in the latter was also accompanied by dawn raid rumours. **RMC,** which revealed details yesterday of a joint venture company with Lone Star Industries of the US, put on 4 to 430p, but **Rugby** failed to perform following French acquisition news and closed unchanged at 225p. **Marley** were in demand at 137p, up 9 and **BPB Industries** picked up 7 at 263p. **Travis and Arnold** revived strongly with a gain of 14 at 323p and **Heywood Williams** put on 10 at 269p. Among Construction issues, **Costain** firmed 5 to 273p following a New Year investment recommendation. **Redland** came with a late run and closed 11 higher at 414p. Buyers returned for **Raine Industries** which gained 6 to 88p.

ICI gave a brighter performance as the US dollar steadied and the close was ¾ higher at £11¼. **Allied Colloids** improved 10 to 116p and **Laporte** hardened 5 to 402p. Dealings in **Coates Brothers** Ordinary and A shares were suspended at 335p and 280p respectively at the company's request pending details of a "significant transaction".

Stores gained ground across the board. In the leaders **Storehouse** added 5 to 258p, **Ratners** the same amount to 248p and **Woolworth** 6 to 263p. The rise in the dollar boosted **Coats Viyella** 10 to 272p and **Laura Ashley** 5 to 130p. **Harris Queensway** advanced 6 to 131p with dealers reporting increased activity in the shares on the inter-dealer broking systems.

Body Shop, due to announce full-year figures on Monday, *jumped 30 to 725p,* while **Sock Shop,** reporting preliminary results tomorrow, gained 15 at 215p.

Electricals put on a good performance, helped by the firmer *dollar.* **Cable and Wireless** were outstanding and rose 16 to 347p after a New Year Press recommendation, the rise in the US currency and also after being selected as one of Wood Mackenzie's 10 stocks for 1988.

British Telecom added 5 at 226p, mirroring the overall strength of the equity market, while similar gains were recorded by **Plessey,** 160p, **STC,** 236p, and **GEC,** 165p. Strong buying by Hoare Govett lifted **Racal** 9 to 231p.

Arcolectric "A" jumped 16 to 56p, after 60p, following a newspaper tip.

Leading Engineers joined in the upward trend. **GKN,** also assisted by a recommendation from the Midlands broker, Albert E. Sharp, advanced 8 to 287p. New Year tips were plentiful with **Rolls-Royce** advancing 9 to 128p in a relatively lively volume of some 2.1m shares. **VSEL** put on 12 to 450p and [illegible] were also noteworthy for a rise of 5 at 62p. **Delta,** a current takeover favourite, moved ahead to close 11 higher at 277p. **Birmid Qualcast** firmed 8 to 313p awaiting further developments in the Blue Circle bid situation. Suggestions that the company is about to announce sweeping reorganisation proposals helped **APV** improve 9 to 134p.

A combination of revived bid hopes and more favourable currency influences helped to boost **Cadbury Schweppes** 9 to 240p. **United Biscuits,** another of the Food sector's recent takeover favourites, added 6 to 270p. **Tate and Lyle** hardened 4 to 811p and **S. & W. Berisford** edged up 4 to 300p. Among Food Retailers, **J. Sainsbury** attracted good support and firmed 6 to 223p and **Tesco** improved 4 to 182p. Bid speculation lifted **William Morrison** 14 to 289p and boosted **Meat Trade Suppliers** 20 to 223p.

Ladbroke outperformed the other Hotel majors and closed 16 higher at 388p.

International stocks moved ahead sharply following the rebound in the dollar with sentiment also given a further boost later by the strong early advance on Wall Street. Trading conditions, however, were described as "thin". **BOC** advanced 25 to 406p in a volume of only 1m shares, while **Beecham** put on 15 to 455p during a similar turnover. **Glaxo** improved ⅛ to £10. Hopes that BTR may return with a fresh bid for **Pilkington** enlivened interest in the latter which gained 8 to 229p amid a trade of some 2.1m shares.

Among other stocks with US exposure, **Cookson** rose 18 to 524p and **Reuters B** featured a gain of 24 at 515p, the last named were also the subject of a New Year recommendation. Other 1988 tips included **Savage Group,** up 15 at 210p, and **Burns Anderson,** 7 to the good at 98p. **Jacksons Bourne End** jumped 60 to 445p on the announcement of an approach to its controlling shareholder which may lead to an offer for the company. Revived bid hopes prompted a gain of 21 to 174p in **J.H. Fenner. Wellcome** advanced 380p, but drifted back to 375p on talk of possible Japanese competition for its anti/Aids drug Retrovir before reviving to close 11 higher on the day at 379p. **Williams Holdings,** helped by the success of its recent offer of new shares to finance the acquisition of Berger Jenson and Nicholson, improved 7 to 226p.

Car manufacturers and motor component producers gave a bright performance helped by publicity given to an optimistic report on the current state of the industry by Midland brokers Albert E. Sharp; **Jaguar,** additionally helped by currency influences, gained 5 to 318p, while **Lucas** put on 11 to 564p. Elsewhere, **Plaxtons** firmed 11 to 141p following a New Year Press recommendation.

News that the Kuwait Investment Office had increased its stake in the company to 9.2 per cent from 8.3 per cent failed to stimulate **DRG** which closed little altered at 405p.

Having fallen sharply last week, leading Properties managed a minor rally, but dealers were quick to point out that volumes remained low. **Land Securities** edged up 5 to 467p and **MEPC** hardened a couple of pence to 447p. **Peachey** added 5 to 375p and **Slough Estates** improved a penny to 256p. **Helical Bar,** the subject of favourable comment last week, moved up 13 to 201p.

Traded option activity picked up as investors returned from the holiday period. Overall contracts totalled 19,278 made up of 9,924 calls and 9,354 puts. **BP** attracted 1,343 calls and 984 puts, while **Hanson** registered 1,301 calls and 4,034 puts. The **FTSE** contract attracted 1,580 calls and 887 puts.

Traditional Options

- **First dealings Jan 4**
- **Last dealings Jan 15**
- **Last declarations Apr 7**
- **For Settlement Apr 18**

For rate indications see end of London Share Service

Dealers reported a little more interest in the Traditional option market. Stocks to attract money for the call included **Bryant Holdings, H.P. Bulmer, Bejam, British Petroleum New, ASDA-MFI, Rothmans, Control Securities, London Finance and Investment Group, Eagle Trust, Monarch Resources, Lysander Petroleum, Sound Diffusion** and **Buckleys Brewery.**

NEW HIGHS AND LOWS FOR 1987/88

FT – ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Monday January 4 1988

Figures in parentheses show number of stocks per section

	Equity groups & sub-sections	Index No.	Day's Change %
1	CAPITAL GOODS (209)	726.52	+2.3
2	Building Materials (30)	960.74	+2.4
3	Contracting, Construction (33)	1385.83	+1.9
4	Electricals (13)	2017.73	+1.7
5	Electronics (32)	1515.63	+2.8
6	Mechanical Engineering (57)	374.63	+2.8
8	Metals and Metal Forming (7)	444.96	+3.6
9	Motors (13)	266.12	+2.2
10	Other Industrial Materials (24)	1223.78	+1.7
21	CONSUMER GROUP (184)	1028.25	+1.8
22	Brewers and Distillers (21)	992.61	+0.9
25	Food Manufacturing (23)	835.25	+2.0
26	Food Retailing (16)	2004.72	+1.6
27	Health and Household Products (10)	1736.66	+2.4
29	Leisure (31)	1142.19	+2.4
31	Packaging & Paper (16)	501.88	+1.9
32	Publishing & Printing (15)	3366.93	+0.9
34	Stores (35)	842.80	+1.6
35	Textiles (17)	592.55	+2.6
40	OTHER GROUPS (92)	846.46	+2.1
41	Agencies (19)	1070.95	+2.0
42	Chemicals (20)	1068.18	+3.2
43	Conglomerates (13)	1050.57	+0.7
45	Shipping and Transport (11)	1718.96	+1.7
47	Telephone Networks (2)	894.88	+2.3
48	Miscellaneous (27)	1156.82	+0.9
49	INDUSTRIAL GROUP (485)	910.89	+2.0
51	Oil & Gas (15)	1708.53	+2.7
59	500 SHARE INDEX (500)	977.77	+2.1
61	FINANCIAL GROUP (124)	641.54	+1.2
62	Banks (8)	622.94	+0.6
65	Insurance (Life) (8)	978.48	+2.4
66	Insurance (Composite) (7)	504.18	+1.4
67	Insurance (Brokers) (8)	905.93	+2.1
68	Merchant Banks (11)	344.31	+1.0
69	Property (52)	975.44	+0.6
70	Other Financial (30)	385.36	+3.8
71	Investment Trusts (86)	784.91	+0.9
81	Mining Finance (2)	447.70	-0.7
91	Overseas Traders (8)	969.88	+0.8
99	ALL-SHARE INDEX (720)	886.58	+1.9
	FT-SE 100 SHARE INDEX ♦	1747.5	+34.8

FIXED INTEREST

	PRICE INDICES	Mon Jan 4	Day's change %	Thu Dec 31
	British Government			
1	5 years	122.27	-0.13	122.42
2	5-15 years	136.36	-0.57	136.96
3	Over 15 years	144.33	-0.51	144.79
4	Irredeemables	160.18	-0.16	160.43
5	All stocks	135.64	-0.28	136.07
	Index-Linked			
6	5 years	123.83	-0.10	123.96
7	Over 5 years	114.93	-0.54	115.55
8	All stocks	115.49	-0.50	116.08
9	Debentures & Loans	115.78	-0.03	116.01
10	Preference	83.79	-0.19	83.95

AVERAGE GROSS REDEMPTION YIELDS

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.
NAME CHANGE: Bryant Holdings is now Bryant Group.

LONDON TRADED OPTIONS

January 4 Total Contracts 19,278 Calls 9,924 Puts 9,354

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	2	95	19
Corporations, Dominion and Foreign Bonds	29	10	23
Industrials	614	207	746
Financial and Properties	241	90	307
Oils	30	21	40
Plantations	0	3	11
Mines	32	60	107
Others	66	80	104
Totals	1,004	566	1,377

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

WORLD STOCK MARKETS

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FINLAND · FRANCE · GERMANY · NETHERLANDS · NORWAY · ITALY · SPAIN · SWEDEN · SWITZERLAND · SOUTH AFRICA · JAPAN · HONG KONG · AUSTRALIA · SINGAPORE

CANADA

TORONTO
Closing prices January 4

f—No voting rights or restricted voting rights.

MONTREAL
Closing prices January 4

58921	Bank Mont	$26⅞	26½	26¾	+⅜
10400	BombrdrA	$07¼	07	07¼	
91765	BombrdrB	$07⅜	06⅞	07¼	+⅛
5400	CB Pak	$15⅞	15½	15¾	+⅛
21823	Cascades	$06¾	06⅝	06¾	+¼
1800	CIL	$27⅛	27	27⅛	−¼
30689	ConBath	$18¾	18⅛	18¾	+⅝
21685	DomTxtA	$17⅜	17⅛	17⅛	−⅛
47302	MntTrst	$12⅝	12½	12½	
97775	NatBk Cda	$11⅜	10⅞	11⅜	+⅝
52839	Noverco	$11⅜	11	11¼	−⅛
25410	Power Corp	$14¾	14⅛	14⅝	+¼
114090	Provigo	$08½	08¼	08½	
5488	Repap Entr	$13	12¾	13	+¼
3000	RollandA	$11	10¾	11	+½
200	RollandB	$18	18	18	+1
35318	Royal Bank	$29	28⅝	28⅞	+⅝
1200	SteinbrgA	$27⅝	27¼	27⅝	−⅛
11422	Videotron	$09¼	08⅞	09	

Total Sales 4,469,099 shares

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 35

CHIEF LONDON PRICE CHANGES YESTERDAY
(Prices in pence unless otherwise indicated)

RISES

Allied Colloids	116	+	10
Arrowlextric A N/V	56	+	16
BOC Group	465	+	35
Beecham	455	+	15
BP	378	+	9
Cable & Wireless	347	+	16
Cadbury Schweppes	251	+	15
Commercial Union	345	+	12
Delta Group	257	+	11
Fenner (J.H.)	174	+	14
First Nat. Fin	54	+	12
Jacksons Bourne End	445	+	(0)
Lon. & Manchester	253	+	15
Lucas Inds.	564	+	11
Magnet	210	+	12
Pearl Group	466	+	30
Redland	414	+	11
Reuters B	515	+	23
Rolls-Royce	128	+	9
[illegible]	159	+	15
[illegible]	321	+	14
Willis Faber	332	+	22

Indices

NEW YORK
DOW JONES

CANADA
TORONTO

NEW YORK ACTIVE STOCKS

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅝	14	AAR s	.36	1.9	17	108	19	18⅝	18¾	
32½	19⅜	AFG s	.16	.6	9	258	27⅜	27	27¼	+¼
27	10½	AGS s			15	344	18	16⅝	17¾	+⅞
10½	6¼	AMCA				9	6⅞	6⅝	6⅞	+⅛
9⅜	3¼	AM Intl			37	518	5⅛	4¾	5⅛	+⅜
65½	26¾	AMR			10	6202	37⅛	35⅛	36⅞	+⅝
27½	24⅞	ANR pf	2.67	11.		3	25⅛	25⅛	25⅛	
12⅛	6⅜	ARX s			8	233	7⅜	7¼	7⅜	+¾
73½	36⅝	ASA	2a	4.2		817	48⅞	47⅝	47⅞	−1¾
22⅜	9½	AVX			19	245	15¾	14⅞	15⅜	+¼
67	40	AbtLab	1	2.1	18	4254	49¼	48	48⅝	+⅜
28	15⅜	Abitibi g				122	20⅞	20⅝	20⅞	+⅜
18¾	8½	AcmeC	.40	3.2	17	165	12½	12	12⅝	+¼
10½	8½	AcmeE	.32b	3.9	28	12	8⅛	7⅞	8⅛	+⅜
20	14⅛	AdaEx	3.44e	22.		260	15¾	14⅞	15¾	+⅞
19½	6⅞	AdamM	.24	2.3	8	30	10¼	9⅞	10¼	+½
24⅞	7½	AMD				4373	10⅝	9⅞	10⅝	+¾
56¾	29¼	AMD pf	3	9.4		175	31¾	30¾	31¾	+1¼
11⅞	4⅝	Adobe				424	5⅞	5⅜	5⅞	+⅝
20½	16¼	Adob pf	1.84	11		29	17	16⅞	17	
21⅞	17½	Adob pf	2.40	12.		1	20⅛	20⅛	20⅛	−⅜
15	6⅛	Advest	.12a	1.6	6	74	7⅝	7	7½	+⅜
68¼	43¾	AetnLf	2.76	6.0	6	3649	46⅝	45⅜	46	+¾
83½	36	AfilPb s	.40	.7	9	245	56¼	56¼	55¾	−1¼
28⅞	13	Ahmans	.88	5.5	7	2057	16⅜	16⅛	16⅛	−⅜
5⅜	1¾	Aileen				12	2¼	2⅛	2¼	+¼
53⅞	29	AirPrd	1	2.4	15	883	41½	40¾	41¼	+½
36	11⅛	AirbFrt	.60	4.0	9	208	15	14¾	15	+⅛
16½	6¾	Airgas			16	214	10¾	10⅜	10¾	+⅜
19½	13½	AirleasB	.18e	13.	9	57	16⅜	15⅝	16⅜	+⅞
15-32	5-16	AiMoan			34	573	11-32	5-16	11-32	+1-32
10¾	7⅝	AlaP dpf	.87	9.3		173	9⅜	9⅛	9⅜	+¼
108	88½	AlaP pf	9.44	9.8		z100	96	96	96	+1½
96½	77	AlaP pf	8.28	10.		z100	80	80	80	
27⅞	12¼	AlskAir	.16	1.1	18	591	14⅛	13½	14	+½
28¼	14¾	Alberto	.24	1.1	18	102	22½	21	22½	+1¾
24	12⅝	AlbCulA	.24	1.5	13	78	16⅝	15½	16⅝	+1⅛
34	20¼	Albtsn s	.48	1.9	15	1157	26⅜	25⅛	25¾	+⅜
37⅞	18	Alcan s	.45i	1.6	14	4148	29	27	28¾	+1⅞
30	15¼	AlcoS s	.68	3.2	12	617	21	20¼	21	+⅝
32	15⅞	AlexAlx	1	5.6	13	188	18⅜	18	18	+¼
59	34¾	Alexdr			119	22	40½	40⅜	40½	+⅜
92½	50	AllegCp			6	117	73	72¼	72¼	−¼
24¾	2⅜	AlgInt				280	3	2⅞	2⅞	+⅛
20⅛	5¼	AlgIn pr				81	7½	6½	7½	+1½
88½	20	Algl pfC				10	25¾	25	25¾	+1¾
34	15⅛	AlgLudn	.20e	.8		514	24⅞	24⅝	24⅝	
49	31⅜	AllgPw	3	7.8	10	948	38¾	37⅜	38¼	+1⅛
105⅞	52¼	Allegis			36	4336	72½	71⅞	72¼	+¾
19⅜	5½	AllenG				342	8¾	8	8½	+¾
24⅞	9¼	Allen pf	1.75	14.		298	13¼	12½	12½	+½
44	12⅜	AlldPd			8	28	13¾	13⅜	13¾	+⅜
49¼	25	AldSgnl	.80	5.8	9	4464	31¼	28⅜	30⅞	+2⅜
3¾	1	vjAlliseC				346	1⅜	1⅛	1⅜	+¼
37½	4¾	AlisC pf				16	6¼	5½	6¼	+¾
10⅛	8⅞	AlstMun	.11a	1.1		139	9⅞	9¾	9⅞	+⅛
34⅛	23	ALLTL s	1.52	5.1	15	433	29⅞	28⅝	29¾	+⅞
64¾	33¾	Alcoa	1.20	2.4		4964	50⅞	47⅜	50⅝	+3⅝
32	14	AmxG	n.04e	.2		267	25½	24½	24⅞	−1
29¼	12¼	Amax			7	3093	21⅜	19⅞	20⅞	+⅞
47¾	34	Amax pf	3	7.5		1	40	40	40	+1
41⅞	21½	AmHes	.45e	1.7	9	3907	26	25¼	25¾	+⅞
30⅝	7½	ABrck	s.05e			1805	20⅛	19½	20	−¾
60	36½	AmBrnd	2.20	4.5	11	4733	48½	43	48½	+4
26⅝	15	ABldM	.90	4.5	15	88	20¼	19¾	20	+½
31½	15½	ABusPr	.80	4.4	12	51	18⅜	18⅛	18⅜	+¼
25⅜	17⅞	ACapBd	.20a	11.		117	21⅛	20½	20⅞	
35⅜	23¼	ACapC	6.94e	24.		42	25	24⅝	25	+½
24⅞	7⅝	ACMR	1a	8.8	6	35	11⅜	11	11⅜	+½
4⅝	11-16	ACentC				12	15-16	⅞	15-16	+⅛
57	29	ACyan	s1.05	2.4	15	2732	43⅛	41⅞	43	+1¾
31⅝	23⅛	AEIPw	2.26a	8.5	9	2472	26⅞	26⅛	26⅝	+⅜
40⅝	20¾	AExp s	.76	3.2	14	x7603	24¼	23⅛	24	+1⅜
18½	9⅞	AFaml s	.24	1.7	13	576	14¾	14⅛	14¼	+⅛
44¾	27¼	AGnCp	1.25	3.8	7	3816	33	31⅜	32¾	+1
21⅞	5¾	AGnl wt				1846	9¾	8¼	9⅝	+1¼
20	12	AHltP	n1.22e	7.9		149	15⅜	14⅞	15⅜	+½
34	23	AHerit s	.96	3.8	9	8	25	24½	25	+¾
11⅝	4¾	AHoist				96	7¾	7¼	7¾	+½
24¼	17¼	AHoist pf	1.95	10.		9	19¼	19	19¼	+¼
96¾	62	AHome	3.34	4.5	13	2116	74½	72⅜	74½	+1¾
99⅞	74	AmrIc	s5.40	6.2	11	2857	87	84⅜	87	+2⅜
83¾	53½	AIntGr	.30	.5	12	2363	63¼	60⅜	62⅞	+2⅞
20⅞	10⅝	AMI	.72	5.4	11	1226	13½	12⅝	13⅜	+¾
51	21⅝	APresd	.50	1.6	10	452	31⅞	29¾	31¾	+2¼
17½	12½	AREst n	2	13.		125	15¼	14⅝	15¼	+⅝
19	10⅜	ASLFla			8	228	16	15¾	15¾	−¼
23⅞	14⅝	ASLFl pf	2.19	13.		17	16⅜	16¼	16¼	−⅛
10	3¾	AShip				106	4	3⅝	4	+½
55	30½	AmStd	1.80	4.8	9	467	38¼	36¾	37½	+1
86½	41½	AmStor	.84	1.6	12	523	52	51¼	51¾	+1¼
93½	51	AStr pfA	4.38	7.5		136	58½	57½	58½	+2⅛
60	54½	AStr pfB	6.80	12.		3	57	57	57	
35⅞	22¼	AT&T	1.20	4.2	21	16882	28½	27¼	28⅜	+1⅜
52½	50	AT&T pf	3.64	7.2		750	50½	50½	50½	−⅜
53	48¾	AT&T pf	3.74	7.5		159	49⅞	49¾	49¾	−½
25⅛	13⅞	AmWtr s	.64	3.9	9	202	16½	16⅛	16¼	+⅛
13½	8¼	AmHotl				42	9¼	8⅞	9¼	+½
82	75	ATr pr	6.27	8.2		z2	76¾	76¾	76¾	
54⅝	29	ATr sc				3	35	35	35	+1
134½	103⅛	ATr un	6.27	5.6		x1	111	111	111	−¾
37¼	24¾	Ameron	.96	3.0	9	29	32½	32	32¼	+¼
29¾	7½	AmesDp	.10	.9	21	1620	11⅝	10½	11⅜	+1
19⅝	12	Ametk s	.80	4.1	16	1198	15⅛	14⅛	14⅝	+½
[illegible]										

Continued on Page 35

NYSE COMPOSITE CLOSING PRICES

Continued from Page 34

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
34	28⅝	PNC pfD				27	30¼	30¼	30¼	−¾
53½	27½	PPG s	1.20	3.4	12	1880	37	35½	35¾	+2⅝
17⅝	13⅛	PacAS	1.84	10.		25	15⅛	14⅞	15	+⅛
27⅞	15	PacGE	1.92	11.	10	5095	18⅞	18¼	18⅞	+⅝
61¼	45¾	PacLtg	3.48	6.7	12	580	52⅝	50	51¾	+2
17⅝	7½	PacRes	.15e	1.5	48	57	10⅛	9⅞	10	
30¼	9¾	PacSci	.40	3.1	20	275	12⅞	12½	12¾	+¼
33¾	22½	PacTele	1.64	6.0	11	4420	27⅝	26⅞	27⅛	+½
39	26¾	Pacifcp	2.52	7.7	9	868	33	32½	32⅝	+½
26⅞	6¾	PacoPh			36	275	13⅞	13	13	−⅝
38⅛	13⅛	PainWb	.52	3.3	6	2773	15⅝	14⅝	15⅝	+1¼
26½	12¾	PainW pf	1.37	9.8		86	14	13⅞	14	+1
6⅝	2⅝	PanAm				4677	3	2¾	3	+¼
2	7-16	PanA wt				209	13-16	⅝	¾	+⅛
34¾	18¼	PanECn	2	9.2		807	22	21	21⅝	+⅞
21⅝	6½	Pantli			7	148	7⅝	7⅛	7½	+½
27¾	10½	Pansphs	.16	1.0	16	180	15½	14⅝	15½	+1¼
27¼	10½	ParPh s			22	584	21½	20¼	21	+1½
15½	4¾	ParTch			6	16	5⅝	5⅝	5⅝	+¼
8⅜	3½	Pardyn				953	4¼	4	4⅛	+⅜
24½	12	ParkEl	.16	1.0	12	93	16¼	16	16	−¼
8⅞	2½	ParkDrl			3	1459	3⅜	2⅞	3⅜	+¼
49	24½	ParkHn	.80	2.2	19	2084	36⅝	35⅞	36½	+⅛
5⅛	2⅞	PatPtr			63	85	3¼	2⅞	3⅛	
18⅝	3⅝	Patten	.04	.8	7	274	5¾	4⅝	5¼	+⅝
21½	11¼	PayNP			11	177	13	12¼	13	+½
26⅞	9⅝	PayCsh	.16	1.3	10	736	12⅝	11½	12⅜	+⅝
60½	37	PenCen	.05	.1	34	589	43½	42	43¼	+1½

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
3¼	1⅛	Tosco				3258	1⅞	1⅝	1⅞	+¼
35⅞	16	Tosco pf	2.38	9.5		80	25⅜	24½	25	+⅞
42¾	22	ToyRU			26	7252	33¼	32¼	33⅛	+1⅜
15⅛	7¼	Tramel	1.40	16.	53	210	8¾	8¼	8½	+⅜
36	14	TWA			14	231	20½	19⅛	20⅛	+1
17¾	14	TWA pf	2.25	14.		40	15⅞	15¾	15¾	+¼
51½	22⅝	Transam	1.84	5.8	6	2046	31⅞	31¼	31¾	+1⅞
26⅜	21	TranInc	2.28a	9.8		63	23¾	23¼	23¾	+⅞
16½	10½	TrnCdag	1.12		13	210	12⅝	11⅞	12⅛	+⅜
15⅝	4⅝	Trnscap			4	12	5⅞	5¾	5⅞	+⅛
50	18	Transco	1.36	5.6		774	24⅝	22⅝	24¼	+1⅜
57½	37¾	Trnsc pf	4.75	12.		122	40	39	40	+½
18¼	4⅞	TranEx	.88	15.		1110	5⅞	5⅝	5¾	+¼
5¾	2¼	Transcn				53	3	2⅞	2⅞	+⅛
52⅝	30¾	Travler	2.28	6.2	7	6308	37	35⅛	37	+1⅞
57	45¾	Trav pf	4.16	8.9		80	46⅞	46½	46¾	+½
34	20⅝	TriCon	4.62e	21.		545	21½	20⅝	21½	+⅞
34½	28	TriCo pf	2.50	8.6		5	29	28	29	+¼
44	22½	Triatn s	.12	.5	11	768	26⅞	26¾	26¼	−½
39	23	TriInd. pf	.12	.5		3	23½	23½	23½	−¼
49¾	29½	Tribun s	.76	1.8	27	1054	41⅝	40½	41⅜	+⅝
6⅝	2⅞	Tricntr				146	6	5⅞	6	−⅛
34½	14¾	Trinity	.50	1.8	120	1156	27½	25¾	27½	+1½
44¼	20¼	Trinova	.68	1.8	15	679	31⅞	31⅜	31¾	−⅛
19⅝	6¾	TritnG s			48	46	9½	9¼	9½	+¼

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26⅞	21	WisEn	s1.44	6.3	9	571	23⅛	22½	22⅞	+⅜
54¾	42½	WiscPL	3.12	7.1	10	99	44½	43¼	44¼	+¾
26⅞	18⅞	WisPS	s1.54	7.3	10	197	21¼	20⅞	21⅛	+¼
47⅝	26⅝	Witco	1.28	3.8	12	159	33⅝	32⅞	33⅝	+¼
18½	9	WolvTc	.20	1.9	8	73	11	10⅝	10¾	+⅛
14	7½	WolvrW			57	775	9⅜	9⅛	9⅝	+⅜
59⅝	29½	Wlwth	s1.32	3.6	10	1468	36¾	34⅛	36⅜	+1⅞
157½	86	Wolw pf	2.20	2.1		5	103½	100	103½	+6¾
9⅝	4⅛	WrldCp				8	6⅝	6½	6½	−⅛
19½	10⅝	WrldVl				58	12½	12	12½	+½
71	39	Wrigly	1.04a	1.4	28	490	u74⅞	68¾	74⅞	+5¾
3⅝	1	Wurltzr				70	1⅝	1⅝	1⅝	
17½	7	WyleL s	.28	2.3	23	162	12¼	12⅛	12¼	
30⅝	14½	Wynns	.60	3.4	14	46	17⅞	17¼	17⅞	+⅜

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
85	50	Xerox	3	5.1	13	3270	59½	57¼	58⅛	+2½
58¼	52½	Xerox pf	5.45	10.		1726	53⅝	53⅜	53½	
31½	19⅛	XTRA	.64	2.9	15	41	22½	21½	22⅜	+⅞
28¼	19½	XTRA pf	1.94	8.5		56	22¾	22	22¾	+⅞
39⅞	16¾	Yorkln			10	167	24⅜	24⅛	24¼	+¼
7¼	2¼	Zapata				1460	2⅝	2½	2⅝	
37	13½	Zayre	.40	2.6	6	5557	15¼	14¼	15⅛	+1⅛
16⅞	8¾	Zemex	.40	4.2	8	11	9½	9¼	9½	+½
33⅝	10	ZenithE				5050	15⅝	14⅞	15⅜	+⅝
13½	2⅝	ZenLab				1364	3¼	2¾	3⅛	+⅛
26¼	13½	ZenNtl	.80	5.3	7	97	15¼	15	15⅛	+⅛
20⅝	11⅝	Zero	.36	2.4	15	68	15½	15⅛	15⅛	+⅛
30¾	16	Zurnln s	.68	3.4	13	163	20⅛	19¼	20	+⅞
10⅝	7⅝	Zweig	.92a	9.9		675	9⅜	9	9¼	+¼

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued on Page 33

FINANCIAL TIMES Tuesday January 5 1988

AMERICA

Dow climbs past 2,000 on action by central banks

Wall Street

US FINANCIAL markets bounced strongly yesterday morning after a round of aggressive central bank intervention in *overnight trading in Tokyo* triggered a short-covering rally in the dollar, *Janet Bush writes in New York.*

The Dow Jones Industrial Average added more than 25 points in the first hour of trading and built on its gains steadily throughout the session. It closed 76.42 points higher at 2,015.25, its largest one-day gain apart from three days just after the October 19 stock market collapse.

More than 180m shares changed hands, marking a return to more usual volume levels after thin holiday trading. However, some analysts remained cautious, *saying the volume was not high enough* to make the rally totally convincing. They said that significant trading centred on dividend plays and activity was also boosted by stock-index arbitrage programmes.

The US Treasury bond market also took heart from the dollar's recovery from new post-war lows recorded in Tokyo. Prices at the long-end of the market bounced a full percentage point higher at midsession before giving up a significant part of this gain in afternoon trading as stocks surged. The Treasury's 30-year 8.875 per cent benchmark issue closed around ⅞ higher to yield 8.94 per cent.

During morning trading, the dollar - which is the key factor in US securities markets at the moment - traded relatively steadily at around its highs of Y123.25 and DM1.5895. Confidence in the wake of the round of central bank intervention then seemed to wane and the dollar came under some downward pressure. However, by late trading, the dollar seemed to be *well supported* at around Y122.90 and DM1.5880.

Economists in New York appeared to focus on what they regarded as the extreme vulnerability of the Tokyo stock market which recorded significant falls in the week between Christmas and New Year and was weak *again overnight. Most of the central bank intervention*, which was said to include the US Federal Reserve, appeared to have happened in the Far East and intervention was fairly modest both in Europe and the US yesterday.

The quality of the intervention was seen as markedly different from dollar support before Christmas, being more extensive but, crucially, much more obvious. The Fed's dollar purchases were made noisily, according to some traders.

Stocks appeared to be helped yesterday by two positive pieces of economic news. US construction spending rose 2.2 per cent in November, a considerably larger increase than expected. In addition, the latest purchasing managers' report, which gives some indication of the strength of retail sales, rose strongly in December against predictions of a significant fall. Some economists pointed out, however, that the new orders component of the report, regarded as a reasonably reliable indicator, was weaker than in November.

More than anything, however, the market appeared to be supported by *belief - rational or not* - in the tradition of January stock market rallies.

Among blue chip issues, International Business Machines jumped $5¾ to $120¾, Eastman Kodak was $2¼ higher at $51¼ and General Electric gained $2⅜ to $46¾.

Primerica Corp rose $1¾ to $25¾ after the company said it would record an after-tax gain of $35m in the fourth quarter on its sale of its Looart Press subsidiary to Deluxe Check Printers for $180m.

A H Robins, the company saddled with a huge compensation *claim for users of its Dalkon* Shield contraceptive, fell $¾ to $20 ¼. The company has accepted a takeover bid from Sanofi, a French pharmaceutical company, but committees representing Robins shareholders and Dalkon Shield claimants have refused to back the takeover.

Lone Star Industries jumped $3⅜ to $24⅜ after the company said it would raise a total of $225m from a joint venture with British company RMC Group. It will receive $55m in cash for RMC's 50 per cent interest in the venture plus $115m directly from the venture.

Canada

A STRONGER U.S. dollar drove share prices in Toronto sharply higher as the market followed strong gains on Wall Street.

The composite index rose 58.97 points to 3219.02 as advances outpaced falls by 473 to 359 on light volume of 16.6m shares.

SOUTH AFRICA

SUBDUED trading in Johannesburg saw shares easing slightly as the bullion price moved lower, with few foreign or institutional investors showing interest.

The gold sector included falls for Vaal Reefs, down R5 at R355, Randfontein, R3.50 lower at R280, Driefontein, which shed 75 cents to R40, and Elsburg, down 50 cents at R10.75.

Among other miners, De Beers was off 15 cents at R29.50 and Rustenburg Platinum shed 50 cents to R29.

Industrials tended steady to firmer, with Barlow Rand up 25 cents at R20.25.

George Graham considers skirmishes ahead for Paris bourse

Reluctant return to the fray

"THE WAR is beginning infinitely badly. Therefore it must go on," remarked General Charles de Gaulle at one of France's darkest hours in the Second World War.

For the Paris bourse 1988 could scarcely get worse. Weighed down by the losses of the last 2½ months of 1987, investors are returning to face the uncertainties of an election year, utterly unconvinced by the Group of Seven finance ministers' claim that the dollar's decline is over.

Stockbrokers who have spent weeks drawing up lists of the companies most vulnerable to the crash or most likely to turn into takeover targets are running out of inspiration.

"I feel like giving up the job - it is just impossible to give advice at the moment," commented one Paris broker.

It will be hard for the French markets to drag themselves out of the magnetic field of international developments.

"We are very worried about what is going to happen on the American markets, and in these conditions any possibility of a fall in interest rates in Europe is necessarily limited to the short term," said a bond market specialist.

Analysts expect volatility at least until the presidential election. Beyond uncertainty over the election outcome there is the fate of the privatisation programme and the repayment later this month of the outstanding FFr30bn ($5.6bn) of the gold-linked "Giscard bond", which creates a heavy lump in the Treasury's refinancing schedule.

Yet on the purely domestic front, some optimists are poking their heads above the parapet. *Some believe the Giscard* bond repayment could even provide a boost for equities if brave investors choose to switch out of bonds.

Others note that capital flows this year should continue to support the equity sector. The extension of the old share savings account (CEA), along with the introduction of the new retirement savings account or "PER", which is Finance Minister Edouard Balladur's favourite baby, are expected to keep some investors interested in the market.

These domestic factors - coupled with forecasts of buoyant consumer spending and good economic statistics in the next few months - seem to be keeping the market afloat, despite the withdrawal of the foreign investors who have generally been the swing factor in the Paris market.

"Trading volume, relatively speaking, has held up. There has been no foreign interest at all, but even between Christmas and new year turnover remained respectable," notes Ms Susanna Hardy of London brokers James Capel.

Capel expects French corporate profits to grow by 16.2 per cent in 1988, sustaining 1987's 15.9 per cent advance, even if *a large component of the* improvement - as in 1987 - comes from a reduction in corporate tax rates.

For if investment managers are hesitant about the equity sector, the companies themselves appear less diffident. Apart from buying in their own shares, *as Imetal is doing*, there is a lingering suspicion of takeover activity in the offing, which could help to restore the good humour of the market.

Brokers are thanking the stock exchange and the Finance Ministry for ruling against Seagram's *private deal* with the Martell family to take control of the 273-year-old French cognac house. This opens up the prospect of an out-and-out bidding battle

EUROPE

Exporters badly dented by fresh currency woes

THE LOWER dollar meant a disappointing start to the new year for European bourses which resumed trading yesterday. The unstable US currency kept investors off the floor despite a *morning round of intervention by* central banks.

FRANKFURT saw heavy, widespread losses as the dollar continued to hover near record lows.

The midsession Commerzbank index sank 62.6, or 4.8 per cent, to 1,237.1 and the FAZ index lost *20.32 to 404.86.*

Cars were badly dented by the dollar's fall. Porsche slumped DM50, or 11.3 per cent, to DM390 and Daimler plunged DM43, or 7.5 per cent, to DM532.

In chemicals, BASF fell DM16.50, or 6.5 per cent, to DM239 and Bayer lost DM13.80 *to DM250.*

Bonds were sharply higher and in great demand. The Bundesbank sold DM210.8m of paper after selling DM158m last Wednesday.

ZURICH declined as the lower dollar kept dealings unusually quiet. The Credit Suisse stock *index fell 10.2 to 406.6.*

In banks, Bank Leu shed SFr100 to SFr2,475, Credit Suisse lost SFr30 to SFr2,405 and Swiss Bank declined SFr6 to SFr337.

Elsewhere, Jacobs-Suchard shed SFr150 to SFr8,300 and Nestle dropped SFr175 to SFr7,850.

AMSTERDAM was pulled off early lows by a firmer opening on Wall Street but prices were still depressed by concern over the weakness of the dollar and fears for the earnings prospects of Dutch multinationals and exporters.

The midsession ANP-CBS general index eased 3.0 to 205.7.

Dutch newspaper chain Audet *saw its shares jump* 35 per cent to Fl 221 as trading resumed after last week's suspension on an agreed cash and equity bid by largest Dutch publisher VNU.

Blue chips were broadly mixed.

PARIS slipped as dollar woes undermined investor confidence *and took all sectors lower.* The CAC index lost 6.3 to 274.4 in thin trade.

Electronics issues led the retreat. SAT lost FFr24 to FFr345 and Thomson–CSF declined FFr5.50 to FFr132.50.

BRUSSELS tracked other major bourses, ending lower *after a day of dull trading.* Declines were accentuated as dealers squared positions on the last day of the current fortnightly trading period on the forward market.

The Brussels stock index was down 35.15 at 3,608.35.

Blue chip oil group Petrofina lost BFr250 to BFr8,300.

MADRID drifted downwards in dull trading. Volume remained light as many traders had already begun their Epiphany break. The general index shed 1.68 to 225.50.

MILAN edged lower in thin dealings and continued to slide in after-hours trading. Most sectors were modestly lower.

STOCKHOLM had an uneventful start to the 1988 trading year with few investors in evidence and a modest slide in share prices from the start.

OSLO was lifted by the recent recovery in the price of Norway's North Sea oil but volume was low with many traders taking extended holidays.

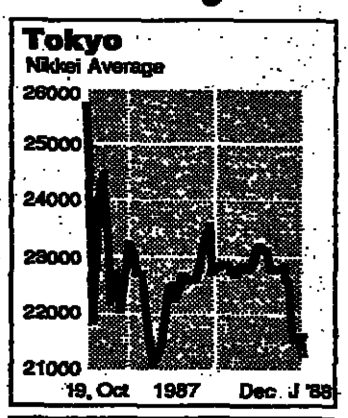
London

THE UK equity market took heart from the confident view of the economy put forward by Mr Nigel Lawson, the Chancellor of the Exchequer, and from the dollar's recovery from its Far Eastern lows.

In moderate turnover, the FT-SE 100 share index closed 34.8 up at 1,747.5, close to its best level of the day.

ASIA

Dollar's record low brings sorry start to Tokyo year



A Hong Kong broker watches prices plunge

Tokyo

THE DOLLAR'S PLUNGE to a record low in Tokyo set the tone yesterday for a poor start to 1988. In the first 15 minutes of trading, the Nikkei stock average lost 206.82 to 21,357.18, *writes Shigeo Nishiwaki of Jiji Press.*

Small-lot selling continued to drive share prices lower for the remainder of the half-day session, the first in the new year, and the Nikkei average shed 348.98 to end at 21,217.04.

Volume totalled 183m shares compared with 268m shares in half-day trading on December 28. Declines outnumbered advances by 580 to 245, with 130 issues unchanged.

The dollar opened the year at Y120.45, down Y1.55 from last Thursday's close. Massive Bank of Japan intervention pulled the US currency off its low to end at Y121.65.

The rapid fall in the dollar drove institutional investors to the sidelines and prompted a rush of selling by individuals.

In lacklustre trading, only a few issues were traded briskly. Fujitsu topped the active list with 21m shares changing hands. It posted a maximum allowable single-day gain of Y200 to Y1,310 on reports that it had made a breakthrough in the field of neural computers, which are based on the human brain and allow for pattern recognition and judgement.

Sumitomo Chemical, second busiest issue with 20.35m shares traded, gained Y90 to Y880, helped by reports that the company, in co-operation with Osaka University, had made progress in developing an agent for the treatment of AIDS.

The strong yen depressed high-technology issues. Matsushita Electric Industrial lost Y60 to Y2,030, Sony Y100 to Y4,650 and Fuji Photo Film Y100 to Y3,900.

NTT closed Y80,000 lower at Y2.08m and Japan Air Lines dropped Y400 to Y12,400.

Financial issues came under heavy selling pressure, with Sumitomo Bank shedding Y100 to Y3,100 and Tokio Marine and Fire Insurance Y110 lower at Y1,660.

Large-capital steels, shipbuildings and electric powers also fared poorly.

Bond prices firmed as dealers, encouraged by the yen's strength, went on a buying spree. However, profit-taking later emerged gradually.

The benchmark 5.0 per cent government bond, maturing in December 1997, was listed on the Tokyo Stock Exchange (TSE) yesterday and the yield dropped to 4.425 per cent from 4.490 per cent registered in inter-dealer trading on December 28. After the TSE close, the benchmark issue fetched a yield of 4.415 per cent in inter-dealer trading.

The strong yen also hit the Osaka Securities Exchange (OSE) where stock prices closed lower for the seventh consecutive trading day. The 250-issue OSE stock average ended 207.81 lower at 21,436.72 on half-day volume of 21m shares, down 4m shares from December 28.

Rohm fell Y190 to Y4,410 and Mori Seiki shed Y70 to Y1,600. Sakai Chemical Industry gained the maximum allowable Y300 to Y2,230.

Hong Kong

JITTERY *selling drove share* prices sharply lower in early trading in the wake of the arrest of Mr Ronald Li, former stock exchange chairman, and two other senior exchange officials. But prices soon picked up again on bargain-hunting by small local investors to close only *slightly down on the day.*

The Hang Seng index finished 16.46 lower at 2,286.29 after shedding about 100 at the opening. The lost ground - also caused by the weakness in the dollar and in the Tokyo market - was recovered in thin trading worth only HK$652m.

Among the blue chips, Hongkong Land fell 15 cents to HK$7.35, Cheung Kong shed 10 cents to HK$6.85, Hutchison Whampoa was down 15 cents at HK$6.90 and Jardine Matheson eased 10 cents to HK$10.20.

Australia

NERVOUS profit-taking on an almost empty floor wiped out Thursday's gain of 21.3, leaving share prices sharply weaker. The All Ordinaries index dropped 21.5 to 1,297.4.

The dollar's slide and a sharp fall on the Tokyo market had repercussions in all sectors. Banking and transport issues suffered the steepest falls and diversified minings were broadly weaker.

Among the few to gain was ACI, which rose 15 cents to A$4 after a Pratt Group company announced a A$4.00-a-share offer.

Elders Resources lost 11 cents to A$2.07, well below NZ Forest Products' A$2.50-a-share cash offer price as the market lost confidence that the deal would go through.

FAI, which bought 5.4 per cent of Pearl Insurance of the UK, slid 20 cents A$5.60.

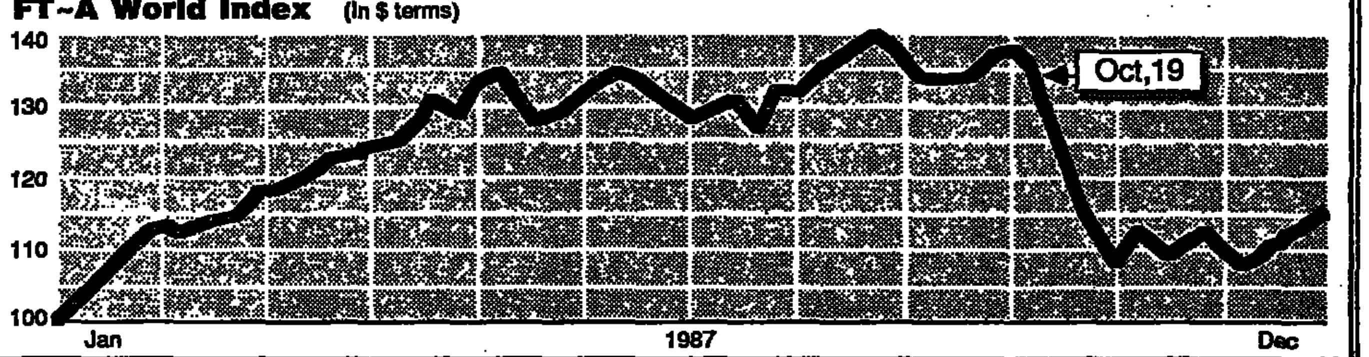
Singapore

SPECULATIVE buying and a late spree of bargain-hunting lifted several blue chips shortly before the close.

Trading was light with many institutions out of the market watching the movements of the dollar. *The Straits Times Industrial* index rose 10.03 to 833.61.

Isetan led the advance, rising 22 cents to S$4.72. Fraser and Neave and Singapore Airlines put on 15 cents each to S$7.90 and S$9.10, respectively.

FT-A World Index (in $ terms)



Jointly compiled by the Financial Times, Goldman Sachs & Co. and Wood Mackenzie & Co. Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY JANUARY 4 1988					THURSDAY DECEMBER 31 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987/88 High	1987/88 Low	Year ago (approx)
Australia (93)	102.61	−2.0	81.09	94.52	4.75	104.73	82.66	96.44	180.81	85.36	102.49
Austria (16)	98.18	−2.5	77.59	80.96	2.59	100.74	79.51	82.43	102.87	85.53	98.11
Belgium (48)	101.28	−1.8	80.04	83.30	5.69	103.15	81.41	84.45	134.89	94.63	98.19
Canada (127)	113.01	+2.3	89.31	106.18	2.93	110.44	87.17	103.97	141.78	98.15	101.36
Denmark (38)	114.44	−0.9	90.44	94.98	3.12	115.47	91.13	95.48	124.83	98.18	98.18
Finland (23)	113.63	−1.2	89.80	93.34	1.59	115.04	90.79	94.94	–	–	–
France (124)	84.90	−1.4	67.09	71.35	4.15	86.10	67.96	72.16	121.82	77.39	98.98
West Germany (94)	73.03	−5.5	57.72	60.18	3.09	77.29	61.00	63.24	104.93	68.91	99.00
Hong Kong (46)	88.15	−1.0	69.67	87.91	5.64	89.04	70.27	88.70	158.68	73.92	99.62
Ireland (14)	104.60	−0.1	82.67	88.18	5.14	104.71	82.64	87.74	160.22	93.50	99.50
Italy (94)	76.91	−1.1	60.78	67.14	2.85	77.73	61.35	67.63	112.11	72.04	100.61
Japan (457)	136.69	−3.3	108.02	106.06	0.66	141.39	111.59	108.46	161.28	100.00	100.57
Malaysia (36)	111.87	+0.2	88.41	107.45	3.39	111.67	88.14	106.94	193.64	93.76	98.24
Mexico (14)	106.43	+0.9	84.11	258.91	1.16	105.48	83.25	258.91	422.59	99.72	99.79
Netherland (37)	99.37	−0.9	78.53	80.84	5.57	100.30	79.16	81.14	131.41	87.70	100.92
New Zealand (25)	75.88	−0.4	59.96	61.28	5.37	76.17	60.11	61.28	138.99	73.39	99.92
Norway (24)	103.60	+1.8	81.88	87.54	3.12	101.75	80.31	86.01	185.01	95.51	102.09
Singapore (26)	97.99	+0.7	77.44	90.40	2.68	97.32	76.81	89.45	174.28	81.21	99.29
South Africa (61)	134.38	+0.6	106.20	91.09	4.68	133.53	105.38	91.22	198.09	100.00	101.91
Spain (43)	130.85	−1.3	103.41	107.56	3.92	132.61	104.66	108.25	168.81	100.00	104.96
Sweden (34)	97.35	−1.8	76.93	83.55	2.74	99.11	78.22	84.88	136.64	88.50	100.76
Switzerland (53)	81.24	−2.7	64.20	64.72	2.56	83.48	65.89	66.02	111.11	73.65	100.60
United Kingdom (331)	134.92	+1.8	106.63	106.63	4.37	132.53	104.60	104.60	162.87	99.65	99.65
USA (589)	104.09	+3.5	82.26	104.09	3.55	100.53	79.35	100.53	137.42	91.21	104.25
Europe (973)	104.04	−0.5	82.22	84.55	4.01	104.53	82.50	84.67	130.02	92.25	99.78
Pacific Basin (683)	133.49	−3.2	105.50	104.74	0.89	137.94	108.86	107.05	158.77	100.00	100.60
Euro–Pacific (1656)	121.77	−2.3	96.23	96.64	1.97	124.62	98.35	98.09	143.65	100.00	100.27
North America (716)	104.56	+3.5	82.63	104.22	3.52	101.06	79.76	100.75	137.55	91.68	104.10
Europe Ex. UK (642)	84.92	−2.6	67.12	70.63	3.67	87.16	68.79	72.11	111.97	78.89	100.16
Pacific Ex. Japan (226)	94.92	−1.4	75.02	88.85	4.93	96.25	75.96	89.99	164.03	82.92	100.60
World Ex. US (1858)	121.60	−2.1	96.10	97.01	2.03	124.22	98.04	98.33	143.38	100.00	100.33
World Ex. UK (2116)	112.82	−0.4	89.16	98.61	2.35	113.33	89.44	98.51	138.82	100.00	102.08
World Ex. So. Af. (2386)	114.66	−0.2	90.62	99.40	2.54	114.92	90.70	99.11	139.47	100.00	101.87
World Ex. Japan (1990)	104.31	+1.8	82.43	96.49	3.75	102.42	80.84	94.65	134.22	92.98	102.49
The World Index (2947)	114.79	−0.2	90.72	99.37	2.56	115.04	90.79	99.08	139.73	100.00	101.87

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ index), 90.791 (Pound Sterling) and 94.94 (Local).

Markets December 31: Belgium, Denmark, West Germany, Japan, Mexico, Netherlands, Singapore, Spain and Sweden. Austria, Norway and Switzerland also closed Dec. 31 but some prices have been updated which were unavailable on Dec. 30.

The constituent list of the Finnish index is as follows: Amer Group 'A', Enso-Gutzeit 'A' and 'R', Finnish Sugar series 2, Huhtamaki 'I' and 'K', Instrumentarium 'B', Kansallis-Osake-Pankki, Kone 'B', Kymmene, Metsa-Serla 'A' and 'B', Nokia ord and pref., Partek, Pohjola 'A' and 'B', Rauma-Repola, Stockmann 'A' and 'B', Union Bank of Finland 'C' and Wartsila series 1 and 2.